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The MAGAZINE of WALL STREET
and BUSINESS ANALYST

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WHICH AMERICAN OILS CAN SUPPLY EUROPE'S NEEDS TODAY?
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BROADENING HORIZONS FOR THE FIRST NATIONAL CITY BANK
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THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

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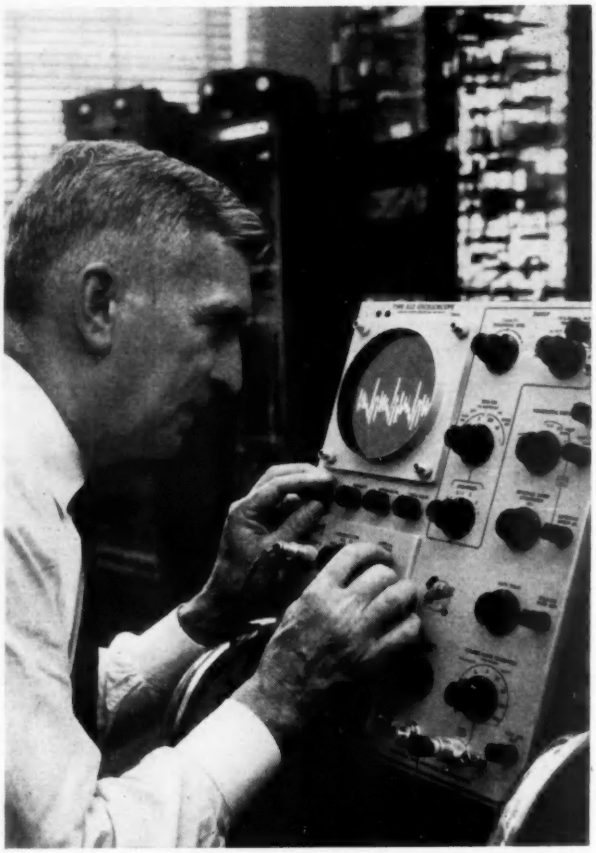
An intrstng exprmnt in spch

How your words might be compressed into "shorthand" sound waves for telephone transmission



YOUR EAR IS OUR CUSTOMER. Bell Laboratories scientist Homer W. Dudley, who originated the "electronic shorthand" method of sending speech, studies wave patterns made by sounds as you would ordinarily hear them over the telephone. To get these sounds from mouth to ear by telephone as quickly and efficiently as possible is our fundamental job.

Any time we can speed your voice from telephone to telephone with less equipment you're bound to benefit.

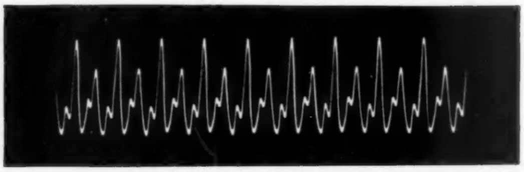
One possible way to do this is by a new transmission method which Bell Telephone Laboratories scientists are exploring. You might call it "electronic shorthand."

Actually, it's a method by which samples are snipped off a speech sound—just enough to identify it—and sent by telephone to a receiver that rebuilds the original sound.

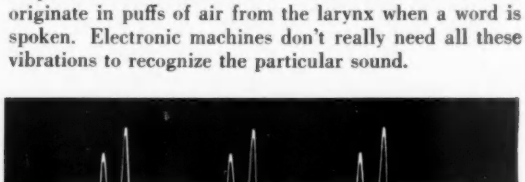
The two charts on the right show how this can be done even with a short sound like "or."

Our scientists are putting further research into this idea, which could mean not only improved service but a more economical use of lines as well. Voices could be sent by fewer electrical signals. And more voices could be sent over each wire.

It's exploring and developing like this that make telephone service the bargain it is.



THIS IS THE SOUND "OR." Chart shows how the oscilloscope records vibrations of the sound "or." Vibrations originate in puffs of air from the larynx when a word is spoken. Electronic machines don't really need all these vibrations to recognize the particular sound.



THIS IS ELECTRONIC SHORTHAND OF THE SOUND "OR." One "pitch period" in three (as against all nine shown in upper chart) has been selected for transmission. With this system, three times as many voices could theoretically travel over the same pair of wires and be rebuilt into the total original sounds.

Working together to bring people together

BELL TELEPHONE SYSTEM

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*

The Trend of Events

U. S. POLICY IN THE MIDDLE EAST . . . If the man in the street is puzzled at the curious foreign policy of our Government, he has nothing on the experts or, for that matter, the chancelleries of Europe. "What are we trying to do, anyway?" is an oft-heard question these days.

After pouring out our treasure to help our oldest allies, France and Britain, to rebuild their war-devastated economy and to join with us in a concerted plan of defense against the Soviet Union, we have actually alienated the bloc which acknowledges our leadership. Indeed, we seem bent on punishing them severely.

"For what?" the man in the street may ask. He probably can't imagine what we hope to gain through our support of Col. Nasser's Egypt, whose avowed purpose is the destruction of Western influence in the Middle East—after all, we are the leaders of the West.

This Alice-in-Wonderland situation seems out of character with the kind of decisions we have come to expect from President Eisenhower. We are forced to wonder what sort of information he is receiving from his aides that could prompt him to intervene through the United Nations in behalf of Nasser and on the side of the Arab-Communist bloc against the members of the North Atlantic Treaty Organization.

Of course, the Arabs who rally around Nasser are pleased with our support. They embrace the opportunity to use our influence and affluence to further their own ends. But they can be counted upon to snap the whip again the moment we depart from our present policy.

It was only this summer that Col. Nasser was telling the United States to "choke on your fury," because Washington had decided not to underwrite his Aswan Dam project. Yet it is Nasser & Co. that now enjoys American support at the expense of our long-time major allies.

We find it difficult to believe that this hair-raising situation will not be corrected forthwith.

NOT SO TEMPORARY TAXES . . . Few thoughtful persons will quarrel with the contention that a high level of Federal taxes is inescapable in an age of increasing costs and heavy arms burdens. Nor is there much room for questioning that the load the American people are carrying is onerous. Indeed, many of us have accepted many of these taxes as "temporary" measures. They have turned out to be as temporary as the foreign menace to the Free World.

Another in a long series of examples of their temporary nature is the word from the Treasury that the Administration probably will urge Congress to continue the present excise taxes on smokes, beer and other consumer items for "another year." Under present law, these taxes are slated to be reduced on April 1, 1957. To give up these levies on the scheduled date would cost the Government nearly $1 billion a year in revenues.

For the public, it would mean a reduction of 1 cent on each pack of cigarettes

We call the attention of the reader to our newly-devised Trend Forecaster, which appears as a regular feature of the Business Analyst. This new department presents a valuable market analysis of importance to investors and business men. To keep abreast of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-nine Years of Service"*—1956

and a cut to 7% from 10% in the automobile purchase tax. Beer would be taxed $1 less per barrel. Other items would receive tax breaks.

Alas, it is not to be, for it would seem that there is nothing so permanent as a temporary tax.

FOREIGN TRADE 1957 . . . Many folks close to the foreign-trade scene have attained a measure of publicity by forecasting a rise in exports on the order of 5% for the next twelve months. That would be a highly creditable showing, even alongside the approximate 10% gain in commercial exports registered for 1956, when our export trade toted up to some $17 billion.

Surpassing the record heights scaled this year is impressive, if we do not bother to look behind the figures projected for next year. For the American oil exporter, the prospects are extremely good, as a result of the sharp cutback in the flow of Middle East oil. But for most exporters the next several months, at the least, will be marred as Europe's increased purchases of oil in the Western Hemisphere deplete the gold and dollar reserves of the Europeans, who provide a major market for the products of the United States. Much is certain to be heard on the subject of import quotas.

And it is not only because of the uncertainties that surround the Middle East controversy that we are unable to share the optimism of the prophets. There also is the element of competition from such countries as Japan and Germany, which have had a major resurgence in the post-war decade. They have demonstrated an ability to undersell us on many products and in many markets, including our own home territory.

QUIET, PLEASE! . . . The Babel of voices stemming from our public officials who have a hand in the making of foreign policy recalls a remark once made by Lincoln: "It is better to be silent and thought a fool, than to speak up and remove all doubt."

PASS THE BABUSHKAS . . . We know of no more exciting reading than a survey of this country made by an editor of the Russian newspaper, *Izvestia.* You can have your Council of Economic Advisers, your Gallup Poll and your First National City Bank Letter. They are not nearly so stimulating as an *Izvestia* survey.

And what does the *Izvestia* editor find in this land? Well, he reveals that in the post-war decade we constructed 10 million new homes and produced 50 million new cars. So far, so good. But why did we turn out these things? Well, they were part of a capitalist plot to chain the Americans to their jobs. As for the millions of new stock purchasers, they are the victims of the capitalist conspiracy to tie them obediently to the corporations.

There is nothing like such conditions in the Soviet Paradise, you may be sure. Russians are never encumbered with a matching jacket and trousers, nor are their womenfolk in the habit of wearing hats—except when a lady athlete turns up in London to appropriate them in the best Communist tradition. And as for homes, you may be sure there is no Kremlin plot to foist millions of homes on Russians, who rejoice in close-quarters living.

Oh, for the life of a collective farmer!

WASHINGTON DILEMMA . . . Business people, who are all too familiar with the ever-present problem of keeping all of the customers happy, will appreciate, nay sympathize, with our Government in its efforts to dispose of grain surpluses.

On the one hand, there is Secretary Benson and his Department of Agriculture, bent on whittling away our stockpiles. On the other hand, there is Secretary Dulles and his Department of State, determined to do nothing in the area of trade that would alienate friends, neutrals and sundry overseas.

It has fallen to the lot of the men who must cope with our farm glut to risk the antagonism of Argentina as the result of an agreement we have reached with Brazil for the transfer to that South American country of 1.8 million tons of wheat over a three-year span. The deal, on basis of a 40-year loan, was made under our Agricultural Commodities Act. Under the accord, our Export-Import Bank will finance it, biggest of its kind ever arranged in South America.

Brazil, whose population has grown at an even faster pace than our own, imports wheat to make up the deficit between her annual consumption of 2.5 million tons and her production, which is only about one-fourth of her needs. Normally, the Brazilians get the bulk of their wheat from the Argentine. This year, however, her neighbor to the south has been unable to deliver more than half of the total on which the two countries had agreed.

The wheat agreement reached this month would appear to have shut the door, if not barred it, to this old market of the Argentine. For we have insisted that, as part of the deal, Rio de Janeiro is to recognize Washington as her normal supplier of wheat.

Our negotiators had small choice under a provision set forth by Congress that foreign lands receiving our surplus commodities must be normal buyers of United States supplies. This was a departure from the deal worked out between Brazil and the United States little more than a year ago, when an agreement was reached covering 550,000 tons of wheat.

It long has been our feeling that the less-than-cordial relationship between Buenos Aires and Washington that long has been a feature of inter-American affairs had little, or nothing, to do with the dictator-type regimes that have flourished on the Plata. We have managed well enough to get along with dictatorships elsewhere in Latin America.

It is an unfortunate fact that the Argentine quite frequently vies with us in many foreign markets—unavoidable since that country, like our own, is a leading producer of grains. Nor have we helped the situation over the years by freezing that country out of the major market here for beef.

The Brazilians are more fortunate, since they find a ready market here for their major products, notably coffee. And even if they did balk at the terms of the latest wheat accord, they came off handsomely. For 85% of the proceeds from the sale of our surplus commodities in Brazil will be applied by that country's Bank of Economic Development to finance domestic projects.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS::1907—*"Over Forty-nine Years of Service"*—1956

As I See It!

By JOHN CORDELLI

"THERE ARE TIDES IN THE FORTUNES OF NATIONS"

The British, French and Israeli action against Egypt seems like a stroke of good fortune, for it brought to light the fact that the Soviet Union had planned to use Egypt as a springboard for her conquest of the Middle East. There is no other explanation for the mighty arsenal, produced by the Soviet bloc, which the three powers uncovered in Egypt.

Having sustained a setback in Egypt, the Russians moved to establish themselves in Syria, where a rabid, pro-Communist group has come to power. So alarmed are the other Arab states and Turkey that they are preparing to checkmate the Russians, and have alerted both the United States and the United Nations in a manner that should bring quick action. The possibility is that unless this action is forthcoming, these nations are bound to act jointly in self-defense, which would bring Britain, France and Israel into the struggle on their side. Already, the United States has made it clear that it will not tolerate any aggression against Turkey or Iraq.

He Built the Nest—What Will the Hatching Be?

Russia's precipitate timing, following her failure in Egypt and her massacres in Hungary, which have frightened Arab states, may prevent Russia from succeeding in Syria, as she almost did in Egypt. Indeed, the Arab state of Jordan is having second thoughts on its plan to give up the British subsidy. And oil-rich Arab countries do not look favorably upon any scheme that would replace a British subsidy for Jordan with Kremlin tutelage.

For the United States, the present situation could provide the best opportunity we have had to cement relations in the Middle East since Col. Nasser of Egypt took over the Suez Canal. Are we going to grasp this opportunity, or let it slip through our fingers? With British, French and Israeli forces massed in the Middle East, and with the United States Sixth Fleet in the Mediterranean and the United Nations at our back, we should be able to prevent the Russians from taking control of this strategic area and its oil wealth. For make no mistake about it, Soviet suzerainty in that part of the globe will make Russia the No. 1 power in the world and mark the decline of the West.

All that is needed to halt the drift toward disaster is a firm stand by the United States. The oil-producing states of the Middle East dread the prospect of a Soviet stranglehold on the oil-lacking states of Egypt and Syria. With help from this country, Iraq could move her oil by pipeline through Turkey to the Mediterranean. She also could, once Jordan had been won over from the machinations of pro-Soviet Arabs, move her oil again across that land to the Israeli port of Haifa on the Mediterranean.

It's an old cliche that nature abhors a vacuum. There is a vacuum in the Middle East today. It will be filled either by Russia or the United States.

The time has come to close ranks with our allies and to provide once more the kind of leadership that bred a unity which kept the Communist scourge at bay. Following in the United Nations the lead of such members as Byelo-Russia, Yemen and Indonesia is no substitute for the one-time forthright policy that provided a bastion against the foes of our civilization.

Russia is in no position to make a major move at this time, for she would have at her rear the so-called European satellites which would surely rise in their wrath against the Kremlin.

A restive Europe gives the Soviet Union far less freedom of action than she had in those days when we faced up to the Communist conspiracy in such areas of the world as Greece, Turkey, Berlin and Iran. It is not enough to cry "Peace! Peace!" when there is no peace. The danger now is that by inaction we will create the very condition that we seek to avoid—a dread shift in the balance of world power that would put all of Europe and the United Kingdom at the mercy of Soviet Russia. The rest of the Orient, of course, would be irretrievably lost, with all that this portends.

These are the stakes. We must not permit ourselves to be bluffed out. The need now is for the kind of courage and forthrightness that has been a part of the American tradition.

Otherwise, we would be forced to fall back on the Fortress America strategy that some have espoused.

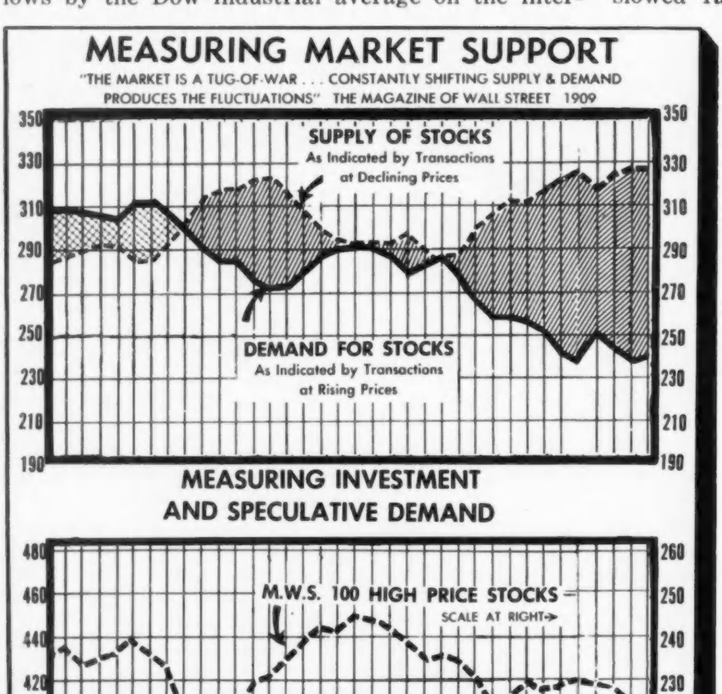
Soundest Investor Policy Now

The market has met support at, and rebounded from, a level which appears to have considerable technical significance. This gives a lift to near-term hopes; but we remain faced with foreign uncertainties, tight money, and relatively static, or lower, earnings in most lines of business. You should hold to a selective, and generally conservative, investment policy.

By A. T. MILLER

Prices of most stocks were under additional pressure over most of the last fortnight, extending the downswing from the recovery levels of early November and carrying numerous individual issues to new 1956 lows, while relatively few moved against the tide to new highs. However, a brisk rally developed toward the end of last week from a technically significant support level. Like a successful stand on the one-foot line by a defending football team, it calls for a cheer, or a sigh of relief, at this writing—while leaving the outcome of the "game" unsettled.

For perspective, here is the sequence of closing lows by the Dow industrial average on the intermediate sell-offs in 1956 to date: January 23, 462.35; February 14, 465.72; May 28, 468.81; October 1, 468.70, and November 28, 466.10. Regardless of the fact that the October 1 low, latest technical reference point, was violated by a slight margin at last week's poorest level, the 462-468 support area has been fairly well tested by now, and has not been "busted." It has remained intact so far in the face of the tightest money market in about a quarter of a century and the resultant drastic narrowing of the earlier spread of stock yields over bond yields; of presently restricted earnings potentials excepting in a minority of special-situation industries; of a slowed rate of rise in total dividends; of grave foreign uncertainties, and of the heaviest recent volume of selling for tax-adjustment purposes in many years. One has to say: So far, so good.



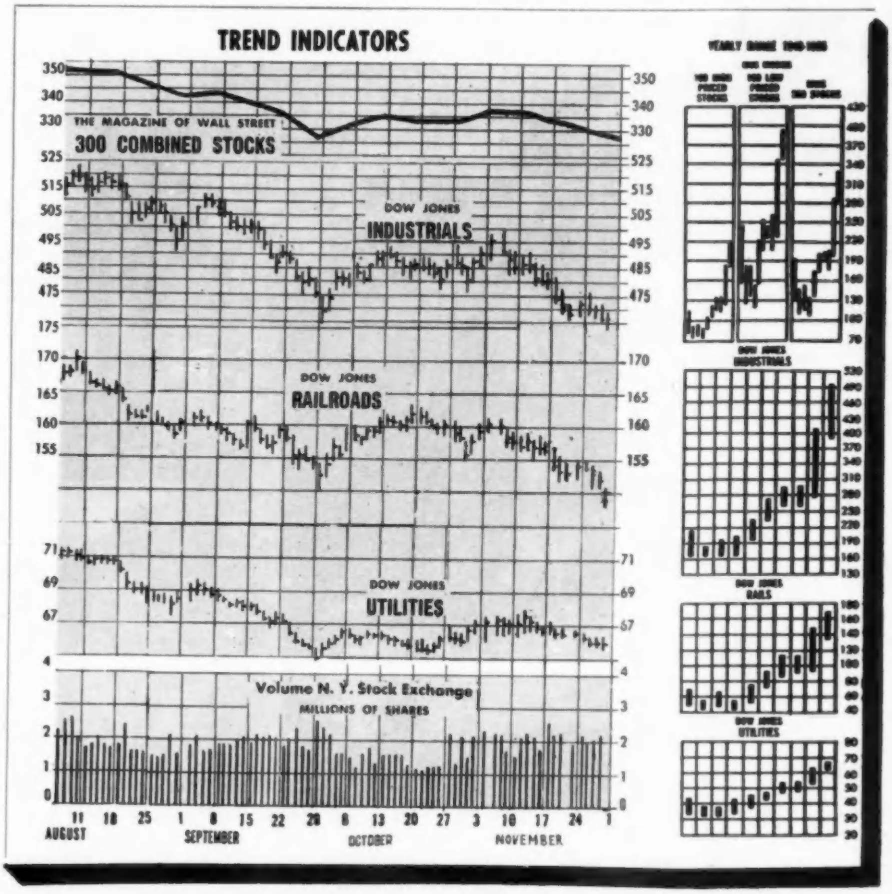
The Near-Term Prospect

Rails have not developed an equally well-defined support area, but on last week's test the average held in the immediate vicinity of its October 1 low; and it ended the week on moderately firmer tone. Utilities recorded their bull-market high in August—against April and May, respectively, for the industrial and rail averages—and their subsequent low on October 1. Their poorest close last week was one point (over 1.5%) above the October low. On the current view of these two averages, it can again be said: So far, so good.

There is plenty of tax selling to be done; and reasons for aggressive bullishness on the great majority of common stocks are not apparent. At best we have—and for a considerable period have had—a selective, trading-range market. Taking all factors into account, both basic and technical, the working premise must be that there is a ceiling on the "averages" not greatly above the present level, probably well under the earlier highs, possibly even under the early-November rally level. If this concept is correct, it does not leave much leeway. In situations generally comparable with this one, year-

end recoveries usually start from lows made around mid-December or later, after substantial completion of tax selling. So it remains to be seen whether the current rally can be more than a brief technical upturn.

On the other hand, barring development of more disturbing foreign news, the "averages" may well meet December tests either without violation of last week's lows or without worse than a relatively minor extension of them, prior to year-end upward tendencies which have developed in some degree, although with wide variations in scope, in the great majority of past years. Aside from foreign contingencies, it is hard to see more worrisome factors for investors over the near-term than those they have had to contend with in recent weeks.



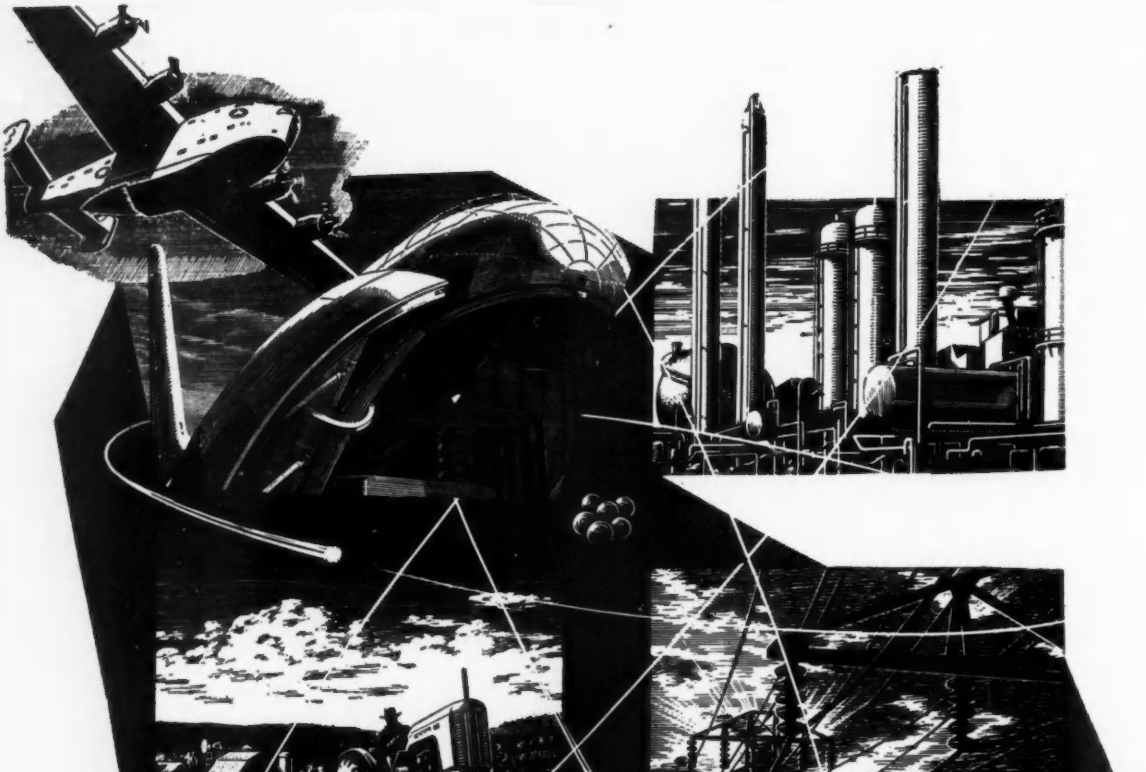
At this writing, a large-scale, if not full, withdrawal of British and French forces from Egypt appears indicated shortly. If so, it should tend to reduce acute Middle East tension to some extent, and pave the way for expedited clearing of the Suez Canal. But a real settlement is not in sight; and will be difficult, if possible at all. Arab antogonism to the West, hatred of Israel, are unchanged. Russian meddling in the Middle East, currently focused increasingly on Syria, is unchanged. Egypt's ambitious, conniving, trouble-making Nasser remains in power.

Domestic business activity continues around recent peak levels. There is no change in our tentative thinking that over-all 1957 activity probably will not differ much from the average 1956 level, allowing for well-maintained first-half volume and some possible second-half slippage. Recent reports indicate a dip in total budgeted capital outlays in manufacturing, suggesting easing in spending for new plant and equipment not many months hence; but outlays of utilities—electric, gas and telephone—will be higher in 1957. If there is a later contraction in aggregate outlays, it might be about balanced by the indicated further rise in total governmental spending. Moreover, consumer spending for goods and services—much the biggest segment of the gross national product—probably will be higher in 1957.

If this view is correct, it implies: (1) Continuation of tight money, with minor variations, which is restrictive for the stock market; and (2), also restrictive, little change in aggregate 1957 industrial and rail earnings, despite indicated gains in defense industries and some others. If it is correct, it would argue for a fairly moderate over-all market range, with upper limit already defined; and with "floor," represented by support levels heretofore cited, probably subject to further tests in months ahead.

For the first nine months of 1956, earnings on the Dow industrials were $23.92 a share, against $26.07 a year ago. For the full year, they are likely to fall short of 1955's $35.78. Nine months' dividends on the average were up about 10%, but the gain will narrow in the present quarter. Full-year payments might be around $22.75, against 1955's $21.58. On this calculation, the average is on a yield basis around 4.8%. Spread over high-grade corporate bond yield is less than 30% and has been cut by over two-thirds since September, 1953, stock market low point. Today, even short-term Treasury obligations are on an average yield of 3.51%; and tax-exempt, seasoned municipal bonds on a basis of 3.45%. To equal the latter, gross dividend yield on a common stock has to approach 7% for a single taxpayer with taxable income of $16,000-$18,000 and exceed 12% for brackets at $44,000 and upward. Although few people buy stocks primarily for income, the yield factors operate to restrict appreciation potentials and justfy the present more conservative tendencies in market capitalization of earnings.

No change in policy is called for. Readers who have kept portfolio management in line with it, as regards emphasis on selectivity and adequate reserves, are in comfortable position.—Monday, December 3. END



Keys to the 1957 Business Outlook

By HOWARD NICHOLSON

At the end of 1956, business conditions in the United States appear to be stable to rising slightly. The nation's labor force and its material resources are virtually fully employed, and national output is running at a record annual rate of about $420 billion.

All of this may not seem very surprising, coming as it does on top of a decade of almost uninterrupted national growth, and rapidly rising personal wealth. It may not even seem surprising that the record level of national business activity in 1956 was achieved in spite of a substantial year-to-year decline in automobile production, and a pronounced falling off in the rate of residential construction.

As a nation, we have come to expect full employment; we have, in fact, come to expect an endless reservoir of demand for the output of our manufacturing industries, and anything short of capacity operation now seems unusual. If the automobile business does not boom, something else will; if housing demand seems depressed, non-residential construction will rise to fill the gap in demand for copper, lumber and construction workers. In a word, for the past two years at least, American businessmen and American consumers have become unreservedly, habitually optimistic.

This in itself is not surprising. Since the very minor recession of 1954, and in fact even since the almost imperceptible recession of 1949, the American econ-

omy has achieved many surprising things. In general, it has appeared to roll with the punch of the business cycle, rather than to get squarely hit as it did in years prior to World War II. And in no year has this tendency to roll been more apparent than in 1956. As the tremendous consumer-goods boom of 1955 began to wane, a capital-goods boom rose mysteriously out of the ashes. As the housing boom started by the Housing Act of 1954 lost its momentum, along came a boom in the building of plants, warehouses, commercial and utility structures, and, conveniently, a huge Federal roadway program. What could possibly go wrong in a system so superbly flexible, so dynamic?

Rolling With the Punch

Well, nothing much *may* go wrong. On the other hand, a great deal *could* go wrong. For the fact is that for the last two years the American economy has been walking gingerly along a very tricky tightrope indeed—a tightrope stretched over inflation, on one side, and recession, on the other. Economists closest to the actual inside information on the behavior of American business since early 1955—and this includes Arthur Burns himself—are in general agreement that the American business cycle is dormant, not dead; and that trying to live at the very pinnacle of full employment, as we have for two years, greatly increases the risk of a full-scale, head-on encounter with the business cycle.

The purpose of these reflections on the general business scene of the past two years is to stress a key fact about business forecasting for 1957. There is nothing in the rule books that guarantees immunity from the business cycle in the new year; there is much to suggest that business in the year ahead will have at least a normal quota of headaches, and probably considerably more than a normal quota. Next year is very likely to be a year in which forecasting, and close attention to the business trend, will pay off handsomely.

The Trend in Early 1957

For the first several months of the new year, the trend of business already is reasonably clear. The present moderate uptrend in both production and prices doubtless will continue through the first quarter of 1957.

Among the grounds for expecting strength for the next several months is the trend of consumer durables markets. These markets are dominated by the behavior of the automobile industry, which takes roughly half of the consumer dollar spent for hard goods. A great majority of the dozen-and-a-half major makes of automobiles produced in America sport fancy new body styles for 1957. Historically, new body styles—the so-called "new-model stimulus"—yield a surge of buying early in the model year, reflecting the reappearance of cash buyers in dealers' showrooms.

These cash buyers have been conspicuously absent from showrooms throughout 1956; in fact, the proportion of all cars sold on credit in 1956 evidently has set a new record. Cash buyers generally buy early in the model year—in November, December, January and February. What evidence there is on retail car sales in November suggests that the cash buyer already is out in force, and that the somewhat higher price tags attached to the 1957 models have not dissuaded him.

It also is apparent that business buyers of capital goods now are spending at record rates, and that they will continue to do so into the first quarter of next year. Momentum alone would assure that capital spending, which still is rising at a rate of 5% per quarter, will continue up in the next three months; it takes a long time to arrest the growth in these outlays, since orders are placed so far in advance of deliveries. Moreover, the current high rate of plant building (as opposed to contract awards to start new plants) forecasts a further increase in machinery deliveries to fill the plants already started. Finally, prices of capital equipment and industrial construction are in a sharp uptrend amounting to several percent per quarter; at tomorrow's prices, even today's machinery shiments will cost more.

Inventory Demand Formidable

Inventory demand, too, appears to be still on the rise. Shortages created by the steel strike—in steel plate, in structurals for construction work, in pipe and other special steel shapes for oil-well drilling—are still intense, and inventories of these steel products are low. The oil industry, the construction industry, the freight-car and shipbuilding industries would be happy to increase their stocks of these scarce products, as opportunity presents itself. The same is true, although in lesser degree, of aluminum shapes, and of a whole range of metal alloys and fabricated metal parts.

But even in lines where the steel strike had no particular effect, inventory demand is likely to stay keen for a few months at least. This inventory demand is owing in part to unsettlement of world conditions, which has raised, rightly or wrongly, a fear of shortages in a number of imported materials—rubber, nonferrous metals such as tin and lead, oil and other fuels, etc.

In still other lines, notably retail stores and manufacturers of consumer soft goods, businessmen continue to expect very high sales rates, and continue to build up their stocks in preparation for a further advance in sales volume. There is now some hesitancy among consumer-goods manufacturers, in view of the unsatisfactory rate of sales in the past six weeks, but this is still attributed to the unseasonable weather of October and early November. At any rate, high-sales expectations are already built in to the ordering patterns of most consumer industries and the orders, having been placed, will inevitably result in a heavy flow of new materials and components into these sectors in the next three months. As with capital goods, it is not easy to reverse inventory buying overnight, even if business sentiment should change tomorrow.

Uptrend in Government

Finally, in a number of lines, rising price trends are still inducing purchasing agents to buy now, rather than to wait until their needs are iminent, in order to beat further advances in prices. Purchasing agents themselves now have doubts about the wisdom of this policy, but it is traditional purchasing behavior. It will take a definite flattening of prices, and a definite end of the fear of inflation, to alter the purchasing habits of a lifetime.

1957: a Catalog of Key Business Trends

Sector	Outlook for early 1957	Outlook Beyond Early 1957
Consumer Durables (autos, etc.)	Strong early in the year, thanks mainly to automobile demand from cash buyers.	Probably weakening by mid-year, owing to considerable market saturation, heavy burden of consumer debt.
Plant and Equipment (Capital Goods industries)	Still rising in first quarter, partly because of spill-over of demand from 1956. Trend of orders and production stable, but deliveries slightly higher.	Declining orders, production and deliveries, owing to tight money, lower corporate liquidity, shrinking profit margins, reappearance of some idle capacity.
Inventory Demand	Additions to inventory continuing, perhaps at very high rate. Inventory-sales ratios climbing slowly.	Inventory growth may become excessive by mid-year, lead to liquidation in last half, particularly in machinery and transportation equipment, steel, non-ferrous metals, chemicals.
Residential Building	Stability at about current rate of one-million starts annually.	Stability if no change in administration of housing legislation. Mild uptrend possible if interest rates brought into line, or money supply substantially easier.
Government Spending	Rising slowly at state, local and federal levels.	Rise accelerating somewhat; increased spending for defense, roads, debt service, perhaps schools. Payroll costs rising with rising general wage rates.

Yet another of the strengths available to business over the next several months is a clear rise in the spending rates of the Federal, state and local governments. Rising payroll costs account for only a small part of the increase; more important elements are the increasing outlays of the Federal government aimed at bolstering the income of American farmers, under the Agricultural Act of 1956; the gearing up of the Federal Highways assistance payments to states in connection with road-building; and, higher Federal, state and local service payments on their immense debts, as the interest rate on newly floated debt has risen.

Lastly, the Suez Canal and Hungarian crises have had an immediate impact on the planning of defense outlays; all indications are that defense spending in calendar 1957 will be as much as $2 billion higher than in 1956. Additional foreign aid, also stimulated in part by the intensification of world tensions, may cost another $1 billion. All of this is on top of the usual $2 billion increase in the rate of spending of state and local governments, as they race to keep their schools and other institutional facilities in line with rising population.

All of these strengths are fully available for the next several months. They argue strongly that business volume will be high and probably rising; money will continue tight, and interest rates at least as high as they are now. Prices, particularly in the industrial sector, are likely to climb a little further; steel, in particular, is very likely to experience a round of upward adjustments in the so-called "extras" prices. And the industrial production index of the Federal Reserve Board doubtless will creep up a little further from its present record level of 145. Implied in this short-term outlook is a gross national product in the neighborhood of $425 billion.

After the First Quarter

Beyond the early months of 1957, however, the strengths available to the business trend appear to diminish sharply—almost ominously—and extreme caution now is the common view of respected analysts with regard to the last half of the year. It is, of course, too early to forecast this period with any precision, and conclusions about it must simply stand as working hypotheses until closer evidence is avail-

able. And in any event, it would be foolish to place any firm conviction in a forecast of late 1957 as long as the course of international developments is in as much doubt as now prevails . . . with respect to Suez, and the possible realignment of power throughout the Middle East and Eastern Europe.

With these qualifications, however, the outlook for the last half of the year is dependent on developments in four key sectors where the favorable trends of early 1957 may reverse. These keys to the 1957 outlook are the automobile market, the capital goods market, residential building and inventory demand. Together, these sectors comprise the hot center of the business cycle; and the available evidence suggests a clear possibility that all of them, or almost all of them, may get into trouble at nearly the same time.

The First Key: Autos

By all indications, the 1957 auto market will not be as big as the booming 1955 market, although better than 1956. On this proposition, almost everyone agrees. The only question is, how much smaller than 1955 will it be?

Fundamental to this question is the behavior of the credit buyer in 1957—the instalment borrower who takes over the automobile market in the spring, after the cash buyer has been taken care of. Doubts about the 1957 auto market center around the condition of instalment credit: and mainly about the existing $3 billion a month rate of repayment on existing debt. This payment now amounts to about one-eighth of consumer income after taxes—the biggest debt share on record. Moreover, 1956 has seen no true digestion of this debt burden as occurred in 1954 (the 1954 digestion, when debt change was negligible, partly paved the way for the 1955 boom).

The American consumer is a hard man to forecast, but his record on debt repayment suggests he also is a capable budgeter, and aware of his debt limitation. To many analysts close to the debt figures, it appears that a further sharp expansion in this debt burden is not possible until dollar incomes rise considerably above their current level. If this debt burden fails to rise, the instalment credit buyer is, in effect, withdrawn from the new car market; very few of them can meet the $2,700 cash requirement of buying a new car without an instalment contract. Given all of the facts on today's auto market, including the new models available, the outlook for total new car sales in the last half of 1957 is unfavorable, although the surge of cash buying early in the year may bring the annual total to well above 6,000,000 cars.

The Second Key: Capital Goods

With respect to capital goods, much the same sequence seems to apply: Strength in the first quarter and then a gradual subsidence in demand.

In capital goods, as in autos, part of the problem is financing the present rate of purchases. As the result of a tremendous, 18-month boom in the rate of capital spending, corporate liquidity has been heavily drained. In fact, in manufacturing corporations actual holdings of quick assets—cash and Government securities—have declined in the past year, even while current liabilities have soared.

While the balance-sheet position of corporations has deteriorated, the net inflow of new funds—retained earnings plus depreciation allowances—has stabilized. Profits themselves have stopped rising, and while depreciation allowances are continuing up, the rise in dividend payments is absorbing all of the net increase. While capital outlays now are running $8 billion above a year ago, internal sources of funds are no higher than a year ago.

Finally, with respect to financing outlays, the cost and availability of borrowed funds now are strongly inhibiting factors. In many loan classes, rates now are fully 1½% higher than in early 1955, and even at those rates some loan applications are still seeking a home. Taking falling liquidity, stable profits and scarcer loans all together, the financing of capital outlays clearly is approaching an outright limit.

At the same time, the incentives to expand are also coming into question. In many industries, operations are at capacity; in many others, they are far from capacity, and the incentive already is waning. For those at capacity, margins no longer are what they were, and price pressures are reappearing. And a close look at the cost of adding new capacity, which has risen about 10% over the past year, is enough to discourage a certain amount of planned investment.

The Third Key: Residential Building

Since early 1955, the rate of new housing starts has been declining almost steadily; residential building, seasonally adjusted, now is fully 40% below its rate 20 months ago. This decline in the number of new dwelling units being built has been partially offset by a rise in the average size of a dwelling unit, and by the increased cost (and selling price) of the average home. Nevertheless, residential building itself, and to a lesser degree the broad range of industries which supply the residential builder, are beginning to face up to a serious problem.

The key influence on residential building for a year and a half has been a shortage of long-term investment funds for investment in the relatively low-yield mortgages which carry a Government guarantee. It is building of this insured type which has subsided, as yields in other securities have risen.

There now is considerable sentiment in Washington, as well as among builder organizations, for Federal measures to channel more long-term funds into guaranteed mortgages. This is an area of the business trend that bears close watch; but unless important changes are made in the way our housing laws now are being administered, there is little possibility that the rate of housing starts in 1957 will recover to significantly above their present rate of one million units a year.

The Fourth Key: Business Inventories

Perhaps crucial to the year's business trend is the prospective behavior of inventory demand. If, after the early months of the year, neither capital-goods buying, nor consumer durables buying, nor residential building should advance, productive capacity would be in clear excess of demand, and the margin of output available for inventory growth would enlarge rapidly. If inventory demand should weaken under these conditions, something very much like a business cycle peak could well occur around mid-year. If inventory demand should remain strong past mid-year, either because *(Please turn to page 353)*

3 Prime Companies In 5 Strategic Industries

with Favorable 1957 Prospects

By HAROLD WIELAND

The many imponderables, political and economic, influencing the course of prices in the securities markets, create a complex situation that is difficult for investors to fathom. Added to the uncertainties over the business outlook are the foreign tensions growing out of the troubles in the Middle East and Eastern Europe.

In view of this it is not surprising that hundreds of stocks listed on the New York Stock Exchange were selling around their 1956 lows in early December.

Selections Not All-Inclusive

And in view of the likelihood that overseas tensions will plague us for a long time to come, having a major impact on the business community, what is the prudent investor to do? Should he remain on the sidelines, maintain the status quo, or endeavor to search out sound equities that currently are selling well below their highs, attained in 1955 or this year.

In the accompanying tabulation are presented three well-qualified issues in each of five industrial groups, each selection being attractive as a long-range holding for growth potential as well as for near-term prospects, especially if the Middle East situation should become more critical, causing a stimulation of both civilian and military demand upon the United States.

Of course, these selections are not intended to be all-inclusive. Other issues in each of the five groups could readily have been included, as also could selections of companies in other industries. The fact that we have limited these selections, as shown, does not imply that other issues, especially in the chosen industrial groups, do not qualify for similar listing. Herewith are some pertinent comments regarding each company in the tabulation.

AIRCRAFT MANUFACTURERS — This is an industry currently undergoing major expansion. As of June 30, this year, the industry's order backlog totaled approximately $17 billion. Of this amount, about $11 billion consisted of military business involving complete aircraft and spare parts. Included in the grand total were orders for engines of various types, guided missiles and commercial planes.

Boeing Airplane Co., an outstanding producer of jet bombers, notably its B-52 intercontinental bomber, also is one of the foremost of the aircraft manufacturers. In addition to its development of the B-52, a group of eight of which only recently made record-breaking non-stop flights of up to 16,000 miles, Boeing last August put the first KC-135 production jet tanker-transport into extensive flight tests. Under a revised Air Force production program, the company expects to be producing these KC-135s at the rate of 20 per month substantially earlier than had been previously planned. Meanwhile, production on the B-52 program has reached the level conforming with schedules for the third quarter of the current year. Actual deliveries fell short of the mark, however. Although this deficiency is not expected to be corrected before the end of the year, it is expected that sales and earnings for 1956 will be somewhat higher than in the previous year. Considering the outlook for increased production, this uptrend should continue through 1957 and well into 1958.

As of September 30, Boeing's backlog of unfilled orders had risen above $3.2 billion, compared with $2.6 billion only three months earlier. The increase represented, to a great extent, additional B-52 procurement. The September 30 order backlog was equal to just short of four years' shipments at the 1955 rate, measured in dollar revenues.

Douglas Aircraft Co. not only ranks as one of the two largest aircraft manufacturers, but also is well diversified from a production standpoint. In addition to turning out several types of planes for the Air Force and the Navy, as well as the "Nike," the "Sparrow" and "Honest John" missiles, it is the most prominent manufacturer of commercial planes, including the famous DC series, augmented this year by the DC-7C or, as it is sometimes called, the "Seven Seas," capable of non-stop operation between the United States and capital cities of Europe. Another new member of DC series is the DC-8, a jet-powered aircraft, first deliveries of which are scheduled for mid-1959. It is designed to have a top speed of nearly 600 miles an hour and will have a cabin spacious enough to accomodate up to 140 passengers with standards of "red carpet" service.

Douglas now has firm orders on its books for 115 of DC-8s, valued at $579 million. It still has 290 piston-powered transports to deliver on a rising schedule over the next several months. Its total order backlog, as the final quarter of the year began, had risen to $2,279,000,000, the commercial portion of which, for the first time in company history, was up to an even 50% of the total backlog, a highly interesting fact considering that commercial sales invariably are more profitable.

3 Attractive Companies in Each of 5 Industries

	1955 Net Sales or Rev. (Mil.)	1955 Net Per Share	1955 Div. Per Share	1st 9 Months of 1956 Net Sales or Rev. (Mil.)	1st 9 Months of 1956 Net Per Share	1st 9 Months of 1956 Div. Per Share	Recent Price	Div. Yield	1955-56 Price Range
Aircraft Manufacturers:									
Boeing Airplane	$ 853.8	$4.67	$3.25	$ 671.6	$3.51	$1.25[1]	56	2.2%	60¼-27⅜
Douglas Aircraft	867.5	7.65	4.00	711.2	5.56	4.00	86	4.6	95⅝-62¼
Lockheed Aircraft	673.5	6.12	3.00[1]	514.4	3.83	2.40	53	4.5	64¼-40⅜
Electric Utilities:									
Philadelphia Electric	209.9	2.39	1.80	168.3	2.02	1.80	37	4.8	43 -36⅜
Texas Utilities	126.9	2.06	1.16	109.6	1.76	1.28	37	3.4	42⅞-30½
Virginia Electric & Power	106.1	2.54	1.55	87.9	2.09	1.75	45	3.8	47¾-33
Oils									
Continental Oil	528.9	4.75	2.85	427.8	4.01	3.00	125	2.4	138 -70
Skelly Oil	231.6	5.61	1.80	185.9	4.05	1.80	64	2.8	71 -46¼
Standard Oil of Indiana	1,781.3	4.75	1.40[2]	1,395.1	3.36	1.40[3]	59	2.3	65 -42¾
Steels:									
Armco Steel	692.6	6.05	1.95	558.0	4.25	2.55	65	3.9	67¾-32⅝
Inland Steel	659.7	9.52	4.25	532.9	6.34	4.25	92	4.6	97¼-66½
U. S. Steel	4,079.7	6.45	2.[illegible]5	3,034.2	4.18	2.60	71	3.6	72¼-33¾
Tire & Rubber:									
Firestone Tire & Rubber	1,114.8	6.82	2.50	813.7	5.27	2.60	88	2.9	93 -54
Goodrich (B. F.) Co.	755.0	5.26	1.90	530.6	3.44	2.20	70	3.1	89¼-59½
Goodyear Tire & Rubber	1,372.1	5.90	2.00	1,010.5	4.47	2.40	76	3.1	81½-50¾

1—Plus stock. 2—Plus 1/50 share S. O. N. J. 3—Plus 1/65 share S. O. N. J.

Despite increased development costs, largely attributable to the increased tempo in the commercial DC-8 program, which reduced earnings in the first and second quarters of 1956, Douglas ended the first nine months of the year with net earnings of $5.56 per share of capital stock, compared with $6.31 a share for the comparable period of 1955. Conservatively estimated earnings, for the 1956 fiscal year ended November 30, should approximate $7.70 a share. It is reasonable to anticipate further earnings gain in the new fiscal year.

Lockheed Aircraft Corp. also ranks as one of the larger aircraft manufacturers with a broadly diversified product line. In the civilian air transport field it is noted for its Super Constellations, and now is in production on its "Electra," a commercial prop-jet transport, against an order backlog of more than $300 million. First shipments of these "Electras" are scheduled for 1958. Its total order backlog at the end of September was at a three-year high of more than $1,580,000,000. This covered unfilled orders for Super Constellations and "Electras," missiles and seven models of military aircraft, including, in the latter classification, the new ultrasonic single-seat F-104A and two-seat F-104B jet fighters for the Air Force, and the C-130A "Hercules" military prop-jet transport. Since September, Lockheed has been awarded the largest jet training plane order ever placed by the Navy, totaling $70 million.

Despite an outlay over the nine months of this year of $14.1 million for research and development work, mostly on the new "Electra," Lockheed's net earnings for the entire period were equal to $3.83 a share. This compares with $4.73 a share for the comparable 1955 period, before "Electra" activity hit full stride. Earnings in 1957 should show a good improvement with the uptrend accelerating in 1958 as deliveries of the new "Electras" get under way.

PETROLEUM — With Europe deprived of its normal supply of Middle East crude oil and forced to look to the Western Hemisphere for part of its refinery needs, it is quite obvious that American crude oil producers will be compelled to step up production if the United States is going to be able to meet overseas requirements estimated at a minimum of 500,000 barrels daily. American companies with domestic production will benefit. Prominent in this group are:

Continental Oil Co., although a refinery operator, places emphasis on crude oil production. In 1955 it set a new record in crude oil produced, net production increasing to 49.1 million barrels, or an average of 134,440 barrels daily. In addition, it also gained from a 92% increase in its equity interest in the crude production of non-consolidated subsidiaries. This interest, during that year, averaged 10,941 barrels a day. At the start of 1956, it held 8.4 million acres, including extensive tracts in the Gulf of Mexico, a 25% interest in 29,300 acres off the Louisiana coast and a 50% working interest in a 104,000-acre block off the Texas shore. Among its holdings of undeveloped lands are 121,000 acres in Wyoming's Green River Basin, 447,000 acres in the New Mexico-Texas Delaware Basin, and more than 1 million acres in the Montana-North Dakota Williston Basin.

In keeping with its development program, Continental continues to maintain drilling operations at a high level. In the first nine months of 1956, it participated in completing 107 more gross wells than during the comparable 1955 period, crude oil production increasing 3.4%. Reflecting this gain, as well as a 5.9% increase in sales of refined products, on some of which it realized higher prices, net income for the first nine months of this year was 13.6% above that of a year ago and equaled $4.01 a share, compared with $3.53 in the first three quarters of 1955.

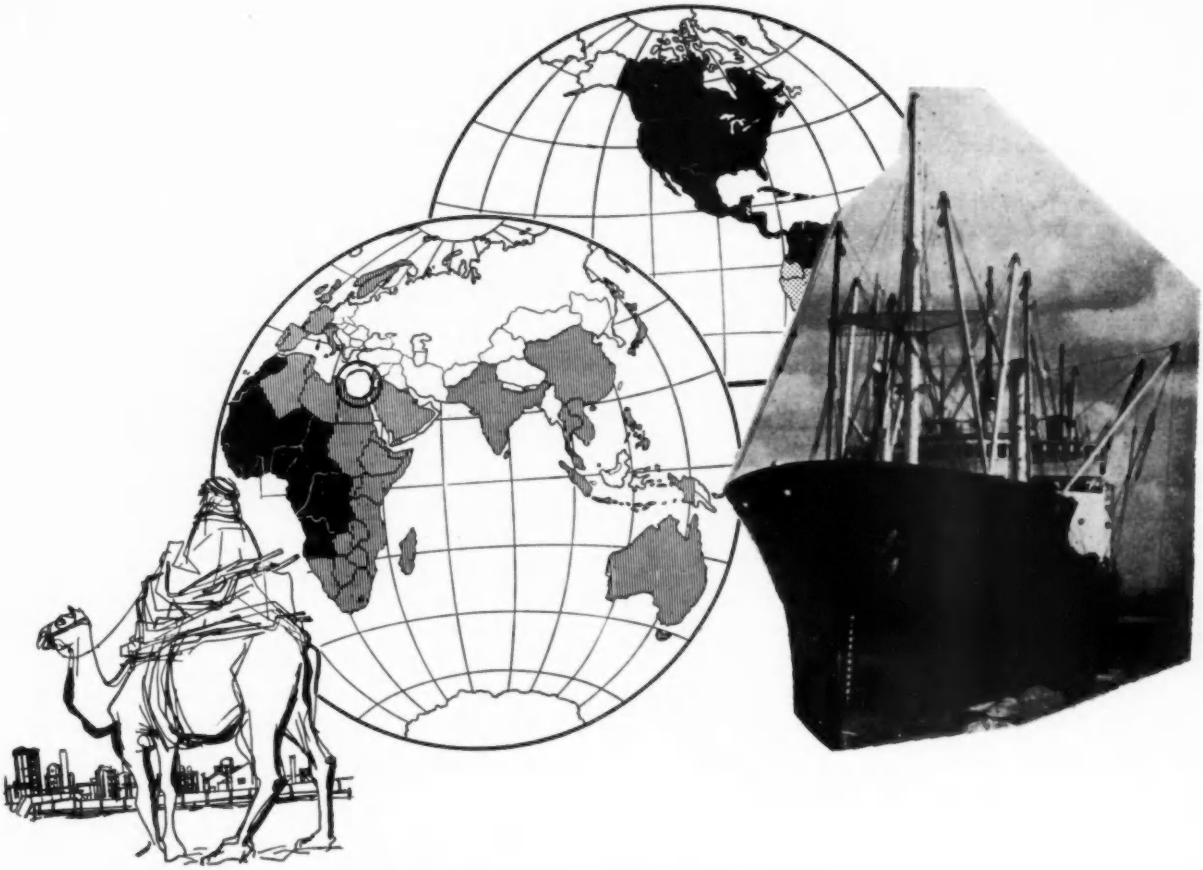
Continental shareholders will vote January 15 on a proposal to split the stock 2-for-1. On the news of the split and Mideast situation, this stock has risen sharply.

Skelly Oil Co. is a crude producer on balance, its production in the first nine months of this year being about 1.5 times the volume of crude processed in its refineries. The company also is a leader in processing and marketing natural gas liquids which are expected to become increasingly important contributors to sales and earnings. Skelly, in the postwar years, has plowed back about $374 million, or 82% of total operating cash income, into its business. At the same time it has practically tripled its net working capital to $50 million as of the end of 1955, and brought funded debt down from $16.4 million to a shade over $8.4 million.

Skelly, continuing its broad program, drilled or participated in the completion of 420 gross wells, of which 77.8% were productive, in the first nine months of the current year. Because of its heavy charge-offs in connection with its extensive development program, its showing of net earnings is distorted, while cash dividends are held to what well might be called "token" payments of 45 cents quarterly. For the nine months to last September 30, net income, after writing off almost $8 million exploratory costs and $25.7 million for depletion, depreciation, etc., equaled $4.06 a share of outstanding common stock, compared with $3.97 earned in the 1955 comparable period.

Standard Oil Co. (Indiana) varies somewhat from the two foregoing companies as it is a large refiner, but at the same time it is steadily increasing its production of crude oil to keep pace with the industry's rate of growth. Despite strict proration in several states, net daily production of crude oil averaged 274,100 barrels, which was about 122,000 barrels a day less than it would have been able to produce at maximum efficient rates. At the year's end, allowing for the 100 million barrels withdrawn and sale of an interest in some producing properties, net proven reserves of crude oil and natural gas liquids increased 37 million barrels, to 2,097,000,000 barrels.

Again, as in 1955, earnings this year will show an uptrend, net income for the first nine months of 1956 increasing to $3.36 a share, compared with $3 a share, based on present outstanding shares, in the like months of last year. Standard of Indiana ranks as a high-quality issue. Its dependable income from cash dividends, supplemented by occasional extras in the form of Standard of New Jersey stock, and its growth potential make it an attractive long-term holding. (*Please turn to page* 363)



Global Economic Impact of the

SUEZ CRISIS

By JOHN H. LIND

The events that have taken place in the Middle East since the beginning of November are about to affect the economy of virtually every country in the world. Thus:

In the Middle East itself it has already brought about a 50% reduction in oil production, a near-paralysis of the Egyptian economy and several basic changes in the economy of Israel.

In Europe it has caused heating oil and gasoline rationing preparations in nearly every country with the attendant consequences of a cutback in industrial production and an increase in prices.

In the United States it has caused a big upsurge in oil production, the probability of a rise in domestic oil prices and a sharp rise in coal exports.

In Japan it has stirred up hopes for vastly increased exorts to Asia as supplies from Europe become more expensive to ship.

It has literally overnight made the Cape ports of South Africa the world's busiest, with crews working up to 90 hours a week to refuel ships.

Finally, it has caused a 15% surcharge on all shipping freight rates between Europe and East Africa, India and the Far East and it is about to force up world commodity prices of tin, rubber, wool, tea and jute, all of which are normally shipped in large quantities through the Suez Canal.

Duration of Crisis is Key

How serious the effect of all these developments will be depends, of course, on the duration of the Middle East crisis. But on the basis of the latest reports on the damages inflicted on the Suez Canal and the oil pipelines it seems likely that Europe and parts of Asia will be in for an inflationary spell which will last well into the spring of 1957 and that the U.S. domestic oil supply situation also will be on the tight side until then. This estimate assumes that no further fighting will break out in the Middle East and that

Suez Canal and pipeline repairs will begin on a large scale within the next two or three weeks. If this estimate should turn out to be too optimistic, there may be extremely serious consequences, at least for the economy of Europe.

Heavy Losses For Middle East Oil Countries

Let us first look at the Middle East itself. As the accompanying chart shows, the area produced at the annual rate of over 176 million tons of oil in the first half of 1956. Of this, 41% was shipped out through the Suez Canal, 24% was pumped through pipelines to the Mediterranean and the remaining 35% either consumed locally, used as bunker fuel for tankers or exported to points east of Suez.

Oil Output and Revenues

(annual rate, based on January-June 1956)
(000 Metric Tons)

	Crude Oil Output	Through Canal	Through Pipelines	Oil Revenues (1955)
Kuwait	59.2	43.8	—	$280 million
Saudi Arabia	50.6	7.7	16.0	260 million
Iraq	34.3	4.1	25.0	207 million
Iran	24.9	9.5	—	101 million
Qatar	6.0	4.8	—	37 million
Bahrein	1.5	3.1	—	8.5 million
	176.5	73.0	41.0	$893.5 million

MIDDLE-EAST OIL SUPPLIES

KUWAIT	Kuwait Oil Co.	British Petroleum	50%
		Gulf Exploration	50%
SAUDI ARABIA	Arabian Amer. Oil (Aramco)	Stand. Oil Cal.	30%
		Texas Oil	30%
		Stand-Oil N. J.	30%
		Socony Mobil.	10%
KUWAIT-SAUDI ARABIAN NEUTRAL ZONE		American Indep. Oil Co.	50%
		Pacific Western	50%
IRAQ	Internat. Petrol. Co.	British Petroleum	23.75%
		Royal Dutch-Shell	23.75%
		Comp. Francaise des Petroles	23.75%
		Near East Dev. Corp. (Stand. N. J. 50% Soc. Mobil 50%)	23.75%
		Gulbenkian	5%
IRAN	Int. Consortium	British Petroleum	40%
		Royal Dutch Shell	14%
		Compag. Francaise	6%
		Gulf Oil	7%
		Socony-Mobil	7%
		Standard Oil, N. J.	7%
		Standard Oil, Calif.	7%
		The Texas Co.	7%
		Iricon Agency*	5%
BAHREIN	Bahrain Petroleum Co.	Standard Oil California	50%
		The Texas Company	50%
QATAR	Petroleum Develmt.—Same as for Iraq		

* Richfield Oil Corp., Amer. Indep. Oil, Atlantic Refining; Hancock Oil, Pacific Western, San Jacinto Pet.; Signal Oil & Gas, Standard (Ohio), Tidewater Assoc. — 5%

Since November 1, Iraq's oil output has been cut by some 75% as a result of the blowing up of its two pipelines which cross Syria. Further, Bahrein's big export refinery, which is supplied directly from Saudi Arabia has been running at less than half of its normal rate because Saudi Arabia has refused to let any oil go to this British protectorate.

Iraq in 1955 received total revenue of about $207,000,000. It would have been more this year, had it not been for the cutting off of the pipelines in Syria, because oil production had increased. As a result of this cutoff, Iraq now is losing 75% of her oil revenues.

There is a pipeline from Iraq to Israel which goes through Jordan. This pipeline could be put in working order on very short notice and, driven by the urge to make up this loss, Iraq could conceivably utilize this pipeline, since it would take at least a year for a pipeline to be built through Turkey. Of course, the other Arab nations would object violently against any Arab oil going through Israel, unless Iraq established herself in Jordan, maybe even at the request of the King of Jordan, who is the cousin of King Feisal of Iraq.

Taking the Long Route

The other oil-producing countries in the area had kept their normal output up for the first few days after the outbreak of hostilities to load the waiting tankers and fill all available storage space but by now they all have had to cut back production as a result of the Suez Canal closure which forces all tankers to take the long route around the Cape of Good Hope. This nearly doubles the length of the trip between the Persian Gulf and Western Europe. The big Trans-Arabian pipeline through which Aramco, the only all-American-owned oil firm in the Middle East, ships one-third of its total production is still open but only because Aramco has agreed to sell none of its oil to Britain or France.

The total result of all these obstacles is that Middle East oil production can hardly amount to more than half its pre-invasion output. Since oil royalties depend, of course, directly on oil production, one may assume that the six oil producing lands together are losing about $1.25 million a day in oil royalties. Since the royalties are based on a 50/50 split of net profits between the oil companies and the governments, the companies' daily loss of profits is obviously of a similar magnitude.

Oil Revenues Have Sustained Arab Lands

What these losses mean to the countries concerned becomes clear when we realize that in each of these lands the income from oil royalties provides, by far, the major portion of the government's total revenues from all sources and that the government relies on them for virtually all its economic development projects as well as other expenditures.

It is for this reason that the oil countries in the Middle East have done nothing to stop the flow of oil but have, on the contrary, attempted to persuade Egypt's Col. Nasser to come to an agreement with the West before an armed conflict would ensue. When this failed, it was again not the oil countries but the oil-transit countries (which receive relatively little income from pipeline fees or tanker tolls) that blocked the flow of oil to the West. Syria's wanton destruction, not only of the pipelines but also of the complex pumping stations and Egypt's scuttling of some 50 block ships, dredgers, cranes and bridges in the Suez Canal have therefore not endeared these two countries to the Arab oil producers, especially since neither of these actions could possibly help Egypt to repel the invaders.

This came out clearly in the recent talks of the Arab League members at Beirut, where Iraq and Saudi Arabia pressed strongly for a containment of the hostilities and an early settlement, while Egypt and Syria talked wildly about getting Soviet and Red Chinese volunteers and appealed to all Arab oil workers to withhold oil from Britain and France until these two countries had withdrawn from the Middle East, even if it meant blowing up the oil installations.

At the moment, the behind-the-scene deadlock between the oil-rich and the oil-poor countries continues with pro-Soviet Syria taking on an increasingly hostile attitude towards nearly landlocked Iraq, which must depend on Syria as an oil outlet to the Mediterranean Sea.

Selected Raw Materials Shipped Through the Suez Canal
(000 tons in 1955)

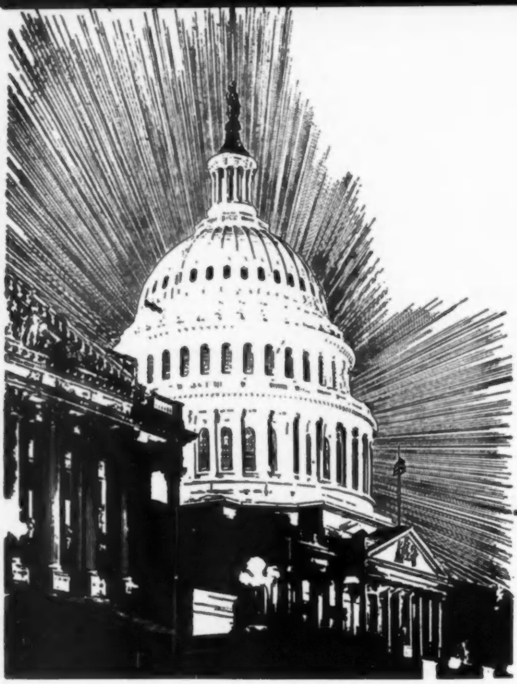
	U.K.	U.S.	France	Italy	Holland
Minerals	640	1,163	248	538	818
Cereals	888	4	77	122	249
Vegetable oils	571	62	96	135	529
Textiles	494	315	88	104	34
Rubber	215	451	67	26	48

Egypt's Loss of Revenues

Aside from shutting off much of the area's oil flow, the economic consequences of the fighting were, of course, felt most of all by the two regional belligerents, Egypt and Israel. There is no doubt that the Egyptian economy has suffered heavily as a result of the triple invasion. The Suez Canal, which had brought in a gross revenue of some $4 million a month since it was nationalized—about 45% of its pre-nationalization income—ceased to be an income-earner on November 1. The cost of repairing it is estimated at over $40 million.

Obviously, Egypt could not possibly afford to pay this bill. Neither could the United Nations, whose total annual budget is about that big. Thus, it seems likely that the United States, some Western European countries, or the World Bank, or perhaps a combination of the three, will have to foot the costs of Col. Nasser's scorched-earth policy. Conceivably, this could give the West a chance to force Nasser to bargain, i.e. to agree to some sort of internationalization of the Suez Canal in return for our financing its repairs. However, we must not forget the ubiquitous Soviet Union, which could easily afford to lend Egypt the entire amount if it fitted into its plans.

Aside from canal revenue, Egypt also has lost some $400 million worth of arms, mostly of Soviet origin, for which it had paid, at least partly, in cotton, her main export commodity. It is unlikely that Egypt is in a position to replace these arms in the near future and, since the Soviet Union does not make it a practice to give large-scale gifts of arms to nations outside the Warsaw Pact (i.e. the East European satellites), Egypt's military superior- (*Please turn to page* 344)



Inside Washington

By "VERITAS"

BUSINESS has not been without lobby representation in Washington, but for several reasons its voice has not reached the fullest possible volume. One of the drawbacks has been too great reliance on a few central organizations headquartered here—U.S. Chamber of Commerce and National Manufacturers Association, to name two—and failure to back up the effort with grass-roots showing of keen concern. By way of contrast, agriculture sends its dirt farmers, its co-operative managers, and its county officers here to press for benefits for the farmer; organized labor has worn grooves over Congressional threshholds, but it isn't the "big names" of the labor movement which are familiar to the solons. It's the wage-earner himself.

WASHINGTON SEES:

Democratic plan of action in upcoming Congress has been brought out into the open: platform on which the party sought to capture the White House constitutes the marching orders—in spite of the fact that many of the party's candidates for Congress ran as lone wolves, abandoned Adlai and Estes.

Lyndon Johnson of Texas will continue as Majority Leader and A. S. "Mike" Monroney of Oklahoma will be Democratic Whip in the Senate, but their control is being challenged by the "liberal" bloc. There are undertones of another North vs. South war in decision to go it alone in which the following, among others, are joined: Humphrey of Minnesota, Douglas of Illinois, Morse of Oregon, and Neuberger of Oregon.

If there is lingering thought that the best way to capture the White House in 1960 is to defeat the G.O.P. in Congress, the outlook as of today won't encourage its spread. Obviously, the Democrats are going to be busy with an intra-party fight.

The first clash will come on a motion to establish a rule for terminating debate and forcing a vote—putting an end to filibusters in the Senate. It has been tried many times before and defeated by state's righters, usually Democrats.

VETERANS are represented by highly-paid professional lobbyists and publicists but they don't depend on that. When legislation of interest is pending, say a pension bill, the overseas cap is more in evidence than the fedora. While these groups have used the personal-contact system successfully, business has remained stiffly aloof, has presented the finely-tooled letter on bond paper, or the printed brief. And the system doesn't work. Indications are that things will be different in the new Congress. Bankers and other lenders through the Savings and Loan League and the American Bankers Association say they will swing into action.

MOST VOCAL, but still not impressing its program on Congress to the extent the membership believes possible, is the Chamber of Commerce. Effectiveness of total reliance on Washington headquarters is questioned and return to the grass-roots is projected. President John S. Coleman of the Chamber will be off on a coast-to-coast tour beginning in February on a campaign of education (he rejects the word "lobby" in this instance) "to bring about a political awareness of our legislative machinery and the right of petition."

BUSINESSMEN have been loath to enter individually into the area of petition and to assert their right of participation, says Coleman. He will preach the gospel, nation-wide, of such group and individual "taking part" in formulation of policy domestic and foreign. Proposed method: "Get in touch with legislation before it reaches the floor. Businessmen should get to know their own Congressmen as a matter of fact." If this be lobbying, Coleman replies, make the most of it!

As We Go To Press

▶ Organized labor has a new asking price on minimum-wage legislation. The figure put forth is $2, which would double the present floor. Objective probably is the $1.25 sought last year (Congress scaled it down to $1 an hour). First reports now are available on the effects of the dollar-an-hour level which became effective March 1: The U.S. Department of Labor has the data on three low-wage industries -- sawmilling, fertilizer, seamless hosiery -- operating in the Southern states where the amended law had its most important impact.

▶ Typical of the results were those found in the sawmilling industry in 11 Southern states: The new $1 minimum meant increases for about 75% of the approximately 130,000 workers in the industry. For almost 40%, about 50,000 workers, it meant a boost of 25 cents or more an hour. Even with this increase the average wage in this industry was $1.07. In Georgia, 14,000 of the 17,000 employes in sawmilling had to get raises to reach the $1 level. Labor Department figures show employment was not substantially reduced. Actually, it went up in five states and down in six, for a net decline of 3½% in the 11 states.

▶ These data sound unbelievable to most employers. Organized labor concedes, saying: "The routine figures which the Department of Labor grinds out in the course of its operations show that the average earnings of the American factory worker have passed $2 an hour. The comparable figure in 1914 was 22 cents an hour." But, lest affluence attaches to the paycheck to the point of delaying Capitol Hill action, Labor captions its report: "$2 an Hour Is Not Enough." The almost tenfold increase in average earnings over four decades has not yielded a similar increase in real living standards, Congressional committees will be told.

▶ Although home-builders are uncertain on the number of new houses they will build next year, they are positive of one thing: Purchasers will have to pay more money for them. This is the prime finding in a survey covering hundreds of cities, taken by the National Association of Home Builders. The report said builders are confident they will sell every house they build in 1957, but they will construct fewer and the median price for a 1957 house will be about $15,200, compared to $14,700 this year. Problems: Pinched money situation, increasing land and construction costs, demand by prospects for bigger houses, difficulty in financing lower-priced houses.

▶ Industrial building, slower to react to the tighter loan market, is beginning to receive attention in this respect. The national Association of Real Estate Boards has collected reports from 161 cities, and says: "As in the cases of mortgages on commercial and residential property, the recent changes in the money market have increased interest rates and reduced credit availability." In this situation, applications for mortgages on factories and warehouses have encountered more meticulous screening, greater care in appraisal, and increased conservatism in ratio of loan to value. Moreover, newcomers or borrowers who "shopped around" in the past, are meeting with a higher rate of rejections.

▶ Added to this, NAREB found, is fact that as interstate lenders have cut back placement, they have concentrated their selection more specifically from among mortgages on properties occupied by tenants of national credit standing. It is this combination of factors that confers an advantage in quest for credit to industrialists who have a long-standing tie with the community and its banking facilities, says the summary. Prevailing interest rate was up, with 36% of the communities indicating rates of more than 5%, compared with the 6% of the communities who found that situation obtaining last spring.

▶ Atomic power development is on

the threshhold of a boom. AEC has announced it will help finance construction of "test reactors" in private industrial plants. Such reactors are used to test parts used in atom electric-power plants. The election campaign had held back the announcement; AEC is leaning over backward to keep the atom and its uses out of partisan strife and to prevent development from being translated into "credits" for any party, or criticism for aligning with large business. The Commission said this is a step in the long-range program to encourage private industry to get into the vast new field of atomic energy.

▶ Agriculture Secretary Ezra Taft Benson has submitted his resignation to President Eisenhower, but he hastened to explain to a press conference that he didn't mean it. Benson said, correctly, it is custom for all Cabinet members to "resign" at the end of a Presidential term, leaving it up to the Chief Executive to re-mold his official family, if he wishes. But the Secretary sees no political reason why Ike should accept. Just as organized labor rationalizes a victory claim based on the Democratic win in Senate and House, Benson sees national endorsement of his farm program through the Eisenhower landslide. It would be a big surprise in Washington if Benson were to go; a companion surprise if the agriculture plan doesn't undergo changes.

▶ The Secretary of Agriculture sums Election Day results this way: A substantial reduction in the number of farmers voting for Republican candidates for the Senate and House was shown. Pointing out that 11 or 12 House seats and two Senate seats were lost by the GOP in states west of the Mississippi, he declared that the farm vote was a factor, in varying degree. But he argues that, since some of his party-men favored the Administration's farm policies and some opposed it, it would be difficult to prove that the controversy over flexible or rigid price supports was a decisive factor. It would be fair to say, he suggests, that the serious drought which plagued some areas of the country was a major factor in the election because "no Government drought relief program can ever be a satisfactory substitute for rain."

▶ Benson's explanation may not be generally accepted. But his points of argument have support in the facts. The principal architects of the Democratic party's agricultural program who sought Senate seats were defeated: Claude R. Wickard, former Secretary of Agriculture, bested by Senator Homer E. Capehart, and R. M. Evans, one time head of the USDA Agricultural Adjustment Administration, beaten, by Senator Bourke B. Hickenlooper. Charles Brannan, former Agriculture Secretary after whom the Democratic plan is named, didn't get past the primary stage before running into defeat.

▶ A House Ways and Means subcommittee of three members is on its way back from Japan where it went to survey import-export relationships and seek to improve them. The net result is expected to be a pleasant trip for the Congressmen. In the first place they planned to devote only three days, December 3-5 to the investigation, and in the second place they had no ready answer to the question certain to arise: What about statutes making it a crime to advertise for sale Japanese-made fabrics? More attention is being given to European trade. Another subcomittee began its study November 26 and will include in its itinerary visits to Italy, France, United Kingdom, Belgium, Holland and West Germany.

▶ Congress is almost certain to investigate political interference with the aluminum industry. Protection of big business by Democrat-sponsored probes comes within the classification of rarity, but it is happening here. For many years, the Mellon interests had a clear field in the fabulously rich aluminum market. Then came the Reynolds and the Kaiser productions -- aided by New Deal measures and Federal funds. The Mellons are generous givers to Republican campaigns, while the Democrats receive financial aid from the others. Following the election (in which this circumstance again obtained) Interior Secretary Fred A. Seaton notified Reynolds Metal Co., that the rate will be raised for electric power supplied by Uncle Sam's Southwest Power Administration. Power is the life substance in aluminum production. Seaton says his predecessor, Democratic Secretary Oscar Chapman, fixed too low a rate.

WHICH American Oils Can Supply Europe's Needs TODAY?

by W. A. HODGES

Grave economic problems evolving from the tense ideological conflict in the Middle East are destined to spread around the globe. Full effects of the Suez Canal crisis probably will not be felt for another three months. It seems certain, however, that like ripples on a mill pond the ever-widening disturbance will extend to many vital industries everywhere. Bottling up of vast petroleum supplies beyond Suez cannot help causing extensive economic losses, not to mention extreme discomfort and even misery.

What are the consequences likely to be? Already it is becoming apparent that serious shortages are in prospect. Interruption of the usual flow of crude oil from prolifiic fields in Iran, Iraq, Kuwait, Saudi Arabia and elsewhere to European refineries poses the most alarming problem. It has been estimated that Great Britain's oil imports have been reduced by 40% and supplies from overseas have been trimmed correspondingly in other populous areas.

The development has intensified the European demand for American bituminous coal, since industrial consumers who can switch to hard fuel may be compelled to do so if the shortage becomes worse.

Shipping in Short Supply

Shipping facilities suddenly have become wholly inadequate. Necessity for sending tankers around the Cape of Good Hope at the southern tip of Africa has added as much as three weeks' sailing time and has virtually halved the tonnage of shipping available for transportation of petroleum products. Tankers which might be utilized for movement of oil from the Middle East to Europe will be rerouted to the United States to carry supplies from Gulf ports

to Europe, since the latter course would be more economical. Despite relief obtained through taking tankers and cargo vessels out of mothballs, it is apparent that the shortage is acute enough to warrant placement of large orders for the largest tankers ever built – hence, shipyards are being swamped with orders.

Other consequences likely to affect domestic financial markets and American taxpayers also are apparent. With all indications pointing to a protracted disruption of commerce with the Middle East, European governments have taken steps to replace Arabian oil supplies with fuel from the United States and from South American sources. So long as the Washington Administration declines to finance the operation (by loans or otherwise), European nations must depend upon their own resources. For Great Britain and France, this is an unexpected hardship. Abnormal costs incurred by reason of the military operations in Egypt, together with need for obtaining dollars with which to purchase oil from private companies in the country, may spark a financial crisis in London.

Eventually, it is widely assumed, arrangements will have to be made by Britain to obtain a loan in this country. It has been suggested, moreover, that if British and French troops are withdrawn from the troubled area, Washington may reactivate the relief committee which had been formed during the Suez negotiations to prepare for a suspension of shipments from eastern Mediterranean sources. Under such an arrangement it was thought that the United States would provide most of the funds for purchase of supplies for European consumers.

The Investment Angle

So far as financial markets are concerned, it has been apparent that investors have been anticipating substantial benefits for domestic petroleum producers. The emergency abroad has removed all threat of overproduction of petroleum products in this country. Instead of a cut in crude prices, about which market observers were worrying a few weeks ago, it is quite possible that higher quotations may be seen in the not too distant future. If transportation can be provided, demand for crude may become so urgent that domestic consumers will be called upon to bid up for needed supplies.

There is some question among leading executives of domestic oil companies over the question of shipping vast quantities of our vital natural resources to Europe, even if adequate funds were available, for it is argued that our selling prices are well below the cost of finding and bringing to the surface new supplies to compensate for reserves currently being marketed abroad.

If the emergency continues for more than a few months, it may be assumed that agitation against depletion of American resources will become more vociferous. A logical consequence of this assertion would be a vigorous demand for higher prices. Incidentally, considerable progress was made this year by integrated producers and refiners in eliminating local gasoline price wars that had disturbed retailers in many sections of the country and had hurt refiners' margins. Developments overseas seem likely to minimize keen competitive practices that had led to price-cutting.

Another factor that must be taken into account in contemplating higher prices is the prospect of an increase in quotations on Arabian petroleum after the present crisis is settled. The groundwork has been laid for higher costs in the Middle East. An upward revision in canal tolls is a foregone conclusion. Although the United Nations is expected to arrange for restoring navigation in the Suez waterway, it is believed that before the reopening some arrangement will be made for repayment of costs assumed by the United Nations, and it would be reasonable to think that funds would come from increased tolls. It is thought the costs may exceed $10 million, of which the United States may put up one-third.

Arabs May Demand More Money

Holders of Middle East concessions also can foresee increased demands on the part of Arabian owners. The division now generally is 50-50, with payment accruing to the several Arabian countries in proceeds from the sale of their half of the output. By this arrangement, American oil companies do not become liable for taxes on profits of that portion of output belonging to Middle East authorities. It is generally thought, however, that demands may be made for extra compensation later to offset loss of revenue during the enforced curtailment of production. What the nature of the claims will be it is too early to estimate, but American oil experts fear that it will greatly reduce their profits on oil from the desert countries beyond Suez.

One of the major uncertainties in the situation, of course, is the time element involved. No one knows how long the tense political situation may endure or how soon the canal can be returned to normal operations. It seems quite likely that no shipping can be expected for at least six months. Extensive damage has been done, according to advices received by oil-industry executives in this country.

More difficulties are being caused by lack of persistent dredging. Because the canal is narrow and comparatively shallow, it tends to fill up from shifting sand and currents unless dredged regularly. In the brief clash, at the time of the Anglo-French invasion, several ships were sunk in the channel, and it is believed Egyptian operatives scuttled the entire fleet of dredges. By the time hulks have been removed, the entire 103-mile waterway will require re-dredging, it is thought. Hence, restoration of traffic between the Mediterranean and the Red Sea is not nearly so simple as some would believe.

The Worst Is Yet to Come

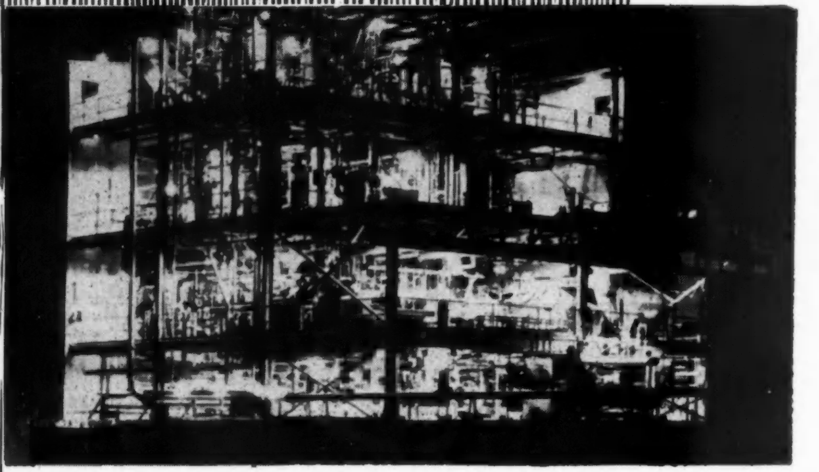
Since substantial inventories of petroleum products had been accumulated in Great Britain and on the Continent, the acute shortage of supplies seemingly in store for Europe may not be felt until February or March. Rationing set for England in mid-December and for other parts of Europe in coming weeks may help stretch out reserves now on hand. Shipments from the United States already are arriving in Great Britain.

Whether or not American companies operating in Saudi Arabia would be permitted to increase shipments to this country is a question that could not be readily resolved. A final decision had not been reached when this article was written. Movement of the oil from the Middle (*Please turn to page* 348)

*Statistical Data on Leading Domestic Oil Companies**

	1st 9 Months: Sales 1955 (Millions)	Sales 1956 (Millions)	Net Profit Margin 1955 %	Net Profit Margin 1956 %	Net Per Share 1955	Net Per Share 1956	Full Year: Earned Per Share 1954	Earned Per Share 1955	Dividend Per Share 1955	Dividend Per Share Indicated 1956	Price Range 1955-1956	Recent Price	Div. Yield %
Amerada Petroleum	$ 750.0	$ 79.4	23.8	22.5	$2.86	$3.09	$3.13	$4.02	$1.75	$2.00	121½-91½	112	1.8
Atlantic Refining	372.9	398.4	7.5	9.9	2.61	3.53	4.47	4.25	2.00	2.00	47⅜-35½	45	4.4
Cities Service	672.4	721.6	8.4	10.1	3.46	4.30	4.41	4.88	2.10[1]	2.40[1]	73⅛-54	69	3.5
Continental Oil	389.8	427.8	14.9	15.8	3.53	4.01	4.28	4.75	2.85	3.00	138 -94	128	2.3
Honolulu Oil	26.3	31.5	23.0	20.8	2.75	2.82	2.73	3.65	1.50	1.70	74¼-56	69	2.5
Ohio Oil	191.0	206.0	13.2	12.8	2.22	2.31	2.91	3.14	1.55	1.60	47⅛-33⅝	43	3.7
Phillips Petroleum	660.4	760.1	12.5	10.6	1.90	2.08	2.60	2.78	1.50	1.70	55¼-46¼	52	3.3
Plymouth Oil	5.2	6.0	13.5	15.3	2.16	2.47	2.78	2.83	1.60[1]	1.60	40¼-30¼	38	4.2
Richfield Oil	182.2	187.6	16.8	14.1	5.67	5.19	6.39	7.40	3.50	3.50	84¼-66½	69	5.1
Seaboard Oil	31.6	35.0	16.6	19.0	1.67	2.06	2.04	2.06	1.00	1.00	70 -52¾	70	1.4
Shamrock Oil & Gas	31.4	39.6	23.3	25.1	2.45	2.88	3.29	3.43	1.50	2.00	59 -39⅞	54	3.7
Shell Oil	1,087.3	1,192.6	15.4	16.4	2.83	3.31	4.41	4.56	2.00	2.00	100½-62⅛	85	2.4
Sinclair Oil	799.7	874.5	10.6	10.6	4.24	4.51	6.04	5.68	2.70	3.00	72¾-55⅝	60	5.0
Skelly Oil	167.4	186.0	12.0	11.3	3.97	4.06	5.13	5.61	1.80	1.80	71 -52⅞	69	2.6
Standard Oil (Indiana)	1,296.0	1,395.1	8.1	8.9	3.16	3.36	3.61	4.75	2.39	2.39	65 -48½	60	4.0
Standard Oil (Ohio)	247.4	270.7	9.8	11.1	3.26	4.06	3.67	4.61	2.07	2.50	71⅞-47¼	54	4.6
Sun Oil	489.8	531.9	11.8	11.9	3.84	3.92	3.93	4.72	.94[1]	1.00	80 -70¼	79	1.3
Texas Pacific Coal & Oil	17.2	17.9	15.3	14.4	1.61	1.53	2.22	2.22	.90	1.00	45⅜-33⅛	40	2.5
Tide Water Oil	354.3	385.1	10.6	10.6	2.18	2.31	2.84	2.89	stock	stock	47¾-33	38	stock
Union Oil of Calif.	272.9	294.7	9.5	9.6	3.39	3.39	4.78	4.12	2.18	2.40	65⅝-52	58	4.1

*—Figures adjusted for stock splits and dividends.
1—Plus stock.



A Timely Appraisal of

100 Leading Stocks

Looking to the Year Ahead

By WARD GATES

If this is, for all Americans, a season of giving, it also is, although to a much smaller extent, a time of giving up. The approximately one in every 19 Americans who own shares in corporate enterprise toy with this idea as each year draws to a close.

Of course, nothing like all of the 9 million American shareholders sell their stocks at this season. While no statistics are available, it is a fair assumption that their percentage is small and even where they do clear out of stocks, generally, the transactions are confined to what they regard as an unattractive item in their portfolio. But there is little doubt that an overwhelming percentage of shareholders give serious thought to the question of whether issues should continue to be held or sold—and in what quantity—and, if they are to be sold, whether they should be replaced and by what.

Portfolio appraisals are in order at this season of the year because of tax considerations. Since there are little more than three weeks left before the calendar tax period ends, investors must bestir themselves if they are to take full advantage of the means open to them.

Foreign Tension A Factor

In this year, however, tax implications, important though they be, are overshadowed for the investor by the changes in the national economy growing out of a world state of flux. Indeed, it is this factor that must be a prime consideration in any investment reckoning. The dust has yet to settle. Important market changes have occurred in the past few months and more impend. Many laggards now are coming to the fore—shipping, shipbuilding and sugar stocks are examples. They stirred little interest in the boiling market of 1955. On the other hand, the buoyant automotive and appliance issues, which rode the crest of the bull market last year, have been considerably less popular in 1956.

This is not to say that the revival laggards of

late 1956 will set the pace in 1957, nor that the declining issues of 1956 will remain in disfavor over the next 12 months.

In this appraisal of the outlook for 100 active stocks, of which this is the first part in a two-instalment article, we propose to canvass stocks individually.

Domestic Economic Clouds

While we have cited the foreign tensions, which are particularly severe in the Middle East and Eastern Europe, it would be a mistake to suppose that other factors do not make for cross-currents in the marketplace. Long before the flare-up inside the Soviet satellite states and at the Suez Canal, there was growing concern at home over the effects of tight money, the wage-price spiral that caused considerable erosion to corporate profit margins, the bitter competition from foreign sources that hit a number of industries, notably textiles, and the considerable downturn in such fields as motor cars and home-building.

These problems and many others remain with us, although their degree varies. They will not be dispelled to any considerable degree by the current crises overseas, although some sectors of the economy may find their plight eased. Thus, the market for petroleum products should firm as a consequence of the European oil dearth; defense orders could give a lift to some few plants with idle facilities; shipbuilding should be stimulated by the rising need for oil tankers. Not a few industries, of course, will sustain a setback as foreign lands clamp down on all but the most urgent dollar imports.

The Highs and Lows

No one, to be sure, has ever learned to determine the exact price at which an issue is too high or too low. Still, through a practical means of comparison available to the investor, it can be determined that some stocks *look high* in comparison to others in their group and others *look low.* This may turn out to be deceptive after an appraisal of all the relevant factors, but the mere fact of difference in market valuation is important in itself.

It is of vital importance to the investor that he guard against considering a stock high or low on the basis of market price alone. Some stocks can be quite cheap at seemingly high market prices and others dear at low market levels.

There are two convenient yardsticks which, though by no means conclusive, often serve as a practical guide. These are the well-known *price x earnings ratio* and the *percentage yield.*

The price x earnings ratio of a stock should be compared with the ratio for other stocks in its grouping for an informed opinion as to its investment status.

Market Valuation of 100 Leading Stocks (Part I)*

	Estimated Earnings Per Share 1956	Indicated 1956 Dividend	Recent Price	Price-Times Earnings Ratio Sept. 1953	Price-Times Earnings Ratio Recent Price**	Div. Yield
AIRCRAFT:						
Boeing Airplane	$ 5.50	$1.25[2]	57	3.0	10.3	2.1%
Douglas Aircraft	8.25	4.00	86	4.0	10.4	4.6
General Dynamics (New)	3.50	1.56	52	7.3	14.8	3.0
Lockheed Aircraft	6.00	2.40	53	3.7	8.8	4.5
North Amer. Avia.	4.15	2.25	43	4.1	10.3	5.2
Republic Aviation	4.30	2.00	34	3.0	7.9	5.8
United Aircraft	8.50	3.00	84	5.8	9.8	3.5
AUTO:						
Chrysler	4.00	3.00	71	7.4	17.7	4.2
Ford Motor	4.00	2.40	56	—	14.0	4.3
General Motors	3.00	2.00	45	8.0	15.0	4.4
BUILDING:						
Amer. Rad. & S. S.	1.85	1.40	19	6.7	10.2	7.3
Certain-teed Products	1.35	1.25[3]	11	4.7	8.1	11.3
Crane Co.	4.25	2.00	35	7.2	8.2	5.7
Flintkote Co.	3.60	2.40	39	7.0	10.8	6.1
Johns-Manville	4.10	2.25	48	9.3	11.7	4.6
Masonite	4.98[1]	1.70[2]	35	5.3	7.0	4.8
National Gypsum	4.80	2.00[2]	41	6.5	8.3	4.8
Otis Elevator	3.25	1.95	42	8.6	12.9	4.6
Ruberoid Co.	3.00	2.00	30	7.5	10.0	6.6
U. S. Gypsum	5.30	2.50	56	8.7	10.9	4.4
CHEMICALS:						
Air Reduction	4.25	1.90	48	10.9	11.2	4.3
Allied Chem. & Dye	5.00	3.00[2]	92	12.2	18.4	3.2
Amer. Cyanamid	4.30	2.75	72	13.7	16.7	3.8
Diamond Alkali	4.00	1.57[2]	53	10.4	13.2	2.9

*—Next instalment in Dec. 22 issue.

**—Based on estimated 1956 earnings per share.

1—Actual.

2—Plus stock.

3—Plus ½ sh. Bestwall Gypsum Co.

Market Valuation of 100 Leading Stocks (Part I) – (Continued)*

	Estimated Earnings Per Share 1956	Indicated 1956 Dividend	Recent Price	Price-Times Earnings Ratio Sept. 1953	Recent Price**	Div. Yield
CHEMICALS: — *Continued*						
Dow Chemical	$ 2.52[1]	$1.10	70	21.2	27.7	1.5%
Du Pont	8.25	7.00	184	19.0	22.3	3.7
Hercules Powder	2.20	1.10	37	14.3	16.8	2.9
Monsanto Chemical	2.00	1.00[2]	35	16.1	17.5	2.8
Olin Mathieson	3.50	2.00	50	10.6	14.2	4.0
Spencer Chemical	4.73[1]	2.40	52	12.2	11.0	4.6
Union Carb. & Car.	5.00	3.15	111	17.7	22.2	2.8
ELECTRICAL EQUIPMENT:						
Allis-Chalmers	2.85	2.00	32	6.4	11.2	6.2
Cutler-Hammer	6.00	2.25	62	11.6	10.3	3.6
Fairbanks, Morse	2.60	1.75	55	5.9	21.1	3.1
General Electric	2.70	2.00	60	11.9	22.2	3.3
McGraw Elec.	5.85	2.00	73	8.3	12.4	2.7
Minn.-Honeywell Reg.	3.30	1.75	84	16.7	25.4	2.0
Sunbeam Corp.	3.90	1.45	47	7.4	12.0	3.0
Sylvania Electric	4.70	2.00	48	9.4	10.2	4.1
Westinghouse Electric	1.25	2.00	53	8.7	42.4	3.7
PAPER:						
Container Corp. of Amer.	1.75	1.00	20	7.3	11.4	4.9
Crown Zellerbach	3.65	1.80	52	8.0	14.2	3.4
Great Northern Paper	6.00	3.00	84	11.0	14.0	3.5
International Paper	7.90	3.00[2]	108	7.5	13.6	2.7
Kimberly-Clark	2.82[1]	1.80	42	9.6	14.9	4.2
Rayonier	2.85	1.40	31	4.6	10.8	4.5
St. Regis Paper	3.75	1.90	46	6.2	12.2	4.1
Scott Paper	2.90	1.85	60	16.8	20.6	3.0
Union Bag-Camp Paper	3.25	1.50	35	6.8	10.7	4.2
West Va. Pulp & Paper	3.40	1.55	48	7.0	14.1	3.2

*—Next instalment in Dec. 22 issue.

**—Based on estimated 1956 earnings per share.

1—Actual.

2—Plus stock.

This will be particularly significant if the comparison shows that over a period the price x earnings ratio for the stock is substantially higher or lower than for other stocks in its group. Thus, if stock A consistently sells at a price 20 to 30 times earnings and stock B sells at only 10 or 15 times earnings, the question must be asked: Why does stock A normally receive a so much higher market rating than stock B?

A Guide to Market Action

This is extremely important to know, for it may be a guide to future market action. A stock with a consistently higher market valuation normally "acts better in a declining stock market than an issue with a lower market valuation and, also, it tends to rally much more quickly when the market resumes its upswing. The reason for this is that stocks with the best investment rating (best price x earnings ratio) generally meet with the strongest market support from important interests. Correspondingly, stocks with an inferior investment status are accorded less support.

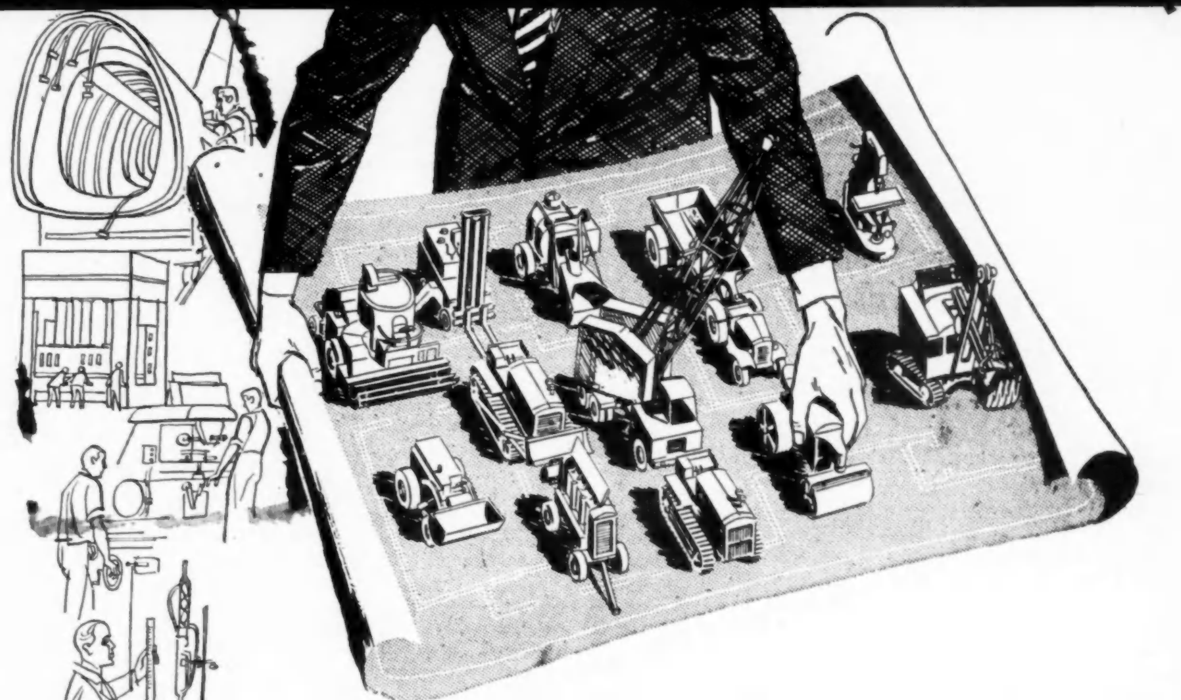
It is suggested that the reader examine the accompanying table, which compares the price x earnings ratio of 50 active stocks, out of 100 stocks under review in this survey. (The remaining 50 will be presented in the issue of December 22.)

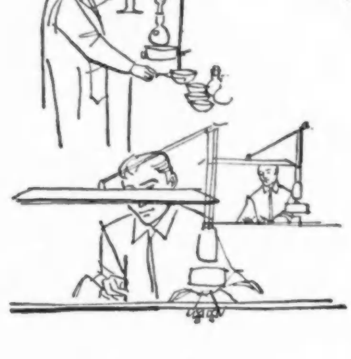
This table shows not only the current price x earnings ratio of each stock, but compares it with its ratio that prevailed when the market started its long climb back in September, 1953. The comparison enables the reader to determine how closely market price has kept pace with earnings, where there have been apparent excesses and where the price, relatively, has not kept pace with earnings.

The Second Yardstick

Yield comparisons also are important, but these should be considered in connection with the price x earnings ratio. Stocks with characteristically high market valuation in relation to others of its group normally sell to offer a low percentage yield. This may, or may not, be a disadvantage, depending on the degree to which growth potentials, in the eyes of the investor, already have been discounted. If the stock already has discounted a good part of its earnings potential, the low yield obviously is a doubly uninviting element.

Whatever may be the basis of reasoning in taking investment action at this particular juncture, it should be borne in mind that after the market's long upswing from the fall of 1953 (and still on a high plateau despite recent setback) the investor must decide whether he has more to risk than gain by continuing to maintain his (*Please turn to page* 353)





HOW COMPANIES EXPAND...

YET AVOID HIGH-COST PLANT CONSTRUCTION

By OLIVER NORTON

There is a tendency in many quarters to envisage a sharp contraction in the plans of corporate leaders to develop their business potential. The monetary stringency and the all-round high cost of new materials and construction have given considerable weight to the views of such forecasters.

However, they have reckoned without the ingenuity of American entrepeneurs, who do not lack for ideas to cope with these problems, as they did not lack for resourcefulness in meeting similarly staggering tasks.

Our corporations have demonstrated an ability to move along many paths, usually with the assist of a joint venture, to encompass the expansion that beckons. And, by and large, it is expansion made possible by the annual multi-billion dollar spending by corporations for research. Fruits of the expanded activity in research and engineering, too, are new advances in technology and new products, creating increasing diversification in both established and not always related fields. This is progress that broadens the base of the economy, providing for continued growth of American corporations whose product diversification requires new production facilities or, in lieu of new plant construction, acquisitions, particularly through an exchange of stock or, in many instances, joint ventures in which two or more companies join.

Trend Toward Joint Ventures

An outstanding illustration of this latter procedure is the formation several years ago of the Titanium Metals Corp. of America jointly by the National Lead Co. and Allegheny Ludlum Steel Co., for the production and fabricating of titanium metal and alloys. This combination was a natural, National Lead controlling some of the largest known ilmenite and rutile deposits while Allegheny Ludlum had the finishing facilities for the production of bars, sheet, plate, extruded tubing, wire and other end-products. The new company got off to a good start by acquiring the major units of the $150 million magnesium plant that had been constructed by the Government during World War II.

Not only did the new company acquire plant buildings already constructed but it had the benefit from the start, of the parent companies' extensive productive and research facilities. Having these advantages,

the jointly-owned company began operating as the only fully integrated titanium sponge producer, stepping up output last year to 3,600 tons annually. Early in this year it was preparing to increase annual capacity to 6,000 tons. Because of the policy of retaining accumulated earnings for development and growth, this expansion will be entirely financed by company funds.

The Goodrich-Gulf Venture

Another joint venture which got off to a flying start is Goodrich-Gulf Chemicals, Inc., a creation of Gulf Oil Corp. and the B. F. Goodrich Co., each owning 50%, with a view to embarking on certain projects in which the two creating companies seemed to have a mutual interest. The first move of Goodrich-Gulf was to bid successfully for certain of the Government-owned rubber facilities at Port Neches, Tex. Since transfer of title early in 1955, operations have been at close to capacity. Plant facilities include a half interest in a 190,000 ton per year butadiene plant and a synthetic rubber plant with a capacity of 90,000 long tons annually. An advantage of these facilities is their location in relation to Gulf Oil's Port Arthur refinery which supplies the butylene used to manufacture the butadiene.

Operations in this field are being extended, part of the expansion plans being a contract to purchase from the Government a 122,000 long-ton per-year plant at Institute, West Va., for the production of man-made rubber. This is "Ameripol SN," the first true man-made replacement for crude rubber. It was developed by a research team of Goodrich-Gulf Chemicals in the B. F. Goodrich research center and proved superior to standard truck tires in Army ordinance tests.

Some measure of the importance of this development can be had from the steadily increasing use of man-made rubber. World consumption of new rubber in 1955 set a record of approximately 2.8 million long tons, an increase of about 375,000 tons over the previous year, when about 310,000 tons was in man-made rubber. In the U.S. last year, consumption of new rubber was approximately 1,525,000 long tons. Of this total approximately 58½%, or 892,125 long tons, was man-made rubber, an increase of 10.1% over the previous year.

Gulf Oil Ties In With Other Companies

Gulf Oil Corp's extensive pipe line interests, which are an integral part of its over-all operations, comprise 3,500 miles of wholly-owned crude oil gathering lines, and 5,700 miles of wholly-owned truck lines. In recent years some of these old lines, which were of limited diameter, have been replaced by more efficient large diameter lines. In their construction, however, Gulf, instead of going it alone, joined with other companies. As a result it owns a 61% interest in the Mesa Pipe Line System in West Texas and a 58% interest in the West Texas Gulf Pipe Line Co., operated by Gulf. In addition, its participation in product lines consists mostly of interests with others in various systems.

Gulf Oil, over a long peroid of time, had watched the spectacular growth in the field of natural gasoline and liquefied-petroleum gases, the latter being generally referred to as LPG. Naturally enough, Gulf was intensely interested in getting into this field. To attain this objective it could, by the expenditure of substantial capital funds, construct new LPG processing facilities. A more advantageous way to enter this highly specialized business would be to acquire production facilities of a company already established and having an adequate sales organization. Accordingly, when the opportunity arose to acquire the stock of Warren Petroleum Corp., Gulf lost no time in making a decision followed up by prompt action. Through an exchange of stock, on the basis of four shares of Gulf for five shares of Warren Petroleum, the latter became, except for a minority interest of less than 1%, a wholly-owned Gulf subsidiary. With this acquisition, Gulf's natural gasoline production increased to about 50,000 barrels daily and output of liquefied-petroleum gas averaged 55,000 barrels a day in the 1956 first half-year.

It is obvious that Gulf's acquisition of Warren was not for acquisition's sake. It was a logical move, further rounding out Gulf's position in the oil industry.

Atlantic and Houston

Equally logical was Atlantic Refining Co. purchase of Houston Oil Co. of Texas oil and gas properties. This transaction was in line with Atlantic's diligent efforts to narrow the gap between its crude oil production and refinery runs. Compared with refinery requirements of 200,000 barrels a day, its daily production rate of 100,000 barrels provided no adequate hedge against the possibility of future increases being posted for crude. From this standpoint alone Atlantic made a good deal, acquiring, as it did, Houston's going production as well as approximately 877,000 undeveloped acres consisting of 473,000 net lease acres and 404,000 net fee or mineral fee acres. Included in other assets turned over to Atlantic was the stock of the Houston Pipe Line Co., which owns and operates a gas pipeline system.

It also was a good deal from the standpoint of terms of payment. Houston's price was set at $198.5 million. Of this amount Atlantic paid about $73.5 million, the balance of $125 million being payable out of 85% of the oil and gas production from the acquired properties in production at the time of the transaction. Payments of this latter sum might be likened to a form of royalties and therefore do not constitute a financial obligation of Atlantic Refining, which states that reserves of crude oil and gas remaining after the satisfaction of the production payments will be about one-half of Houston's presently known reserves.

It should be noted that this purchase by Atlantic was more of a long-term investment although, as has already been mentioned, the company does get the benefit of increased crude oil supplies, eliminating exploration and the time lag between such activity and the bringing in of producing wells. The company estimates that it will be 10 years at present crude prices and production before oil and gas payments are satisfied. After that all production will belong to Atlantic for the remaining life of the properties. This, of course, is exclusive of any oil and gas production that may eventually be brought in on currently non-producing acreage.

Sinclair Strengthens Position

More or less following in Atlantic's footsteps, Sinclair Oil Corp. has moved to strengthen its position in crude oil and gas production and reserves. Toward this end it contracted last summer to purchase from

Company	Acquisition	Acquired Products
American Can	Pittsburgh Plastics Corp.	Plastic household appliances, etc.
	Kienle & Co.	Inks and varnishes
Atlantic Refining	Houston Oil Co.	Crude oil producer
Atlas Powder	Thermaflow Chemical Corp.	Plastic compounds
Borg-Warner	Dittmer Gear & Mfg. Corp.	Air conditioning
	York Corp.	Cranes, etc.
	Industrial Crane & Hoist Corp.	Oil well tools and equipment
	Byron Jackson Co.	Speed reducers
	Eberhart-Denver Co.	
Burroughs Corp.	C. R. Hadley Co.	
	Electro Data Division	Vacuum tubes
Continental Can	Rob't. Gair Co.	Paper
Cosden Pete	Col-Tex Refining Co.	Refineries
Dresser Industries	Guiberson Corp.	Oil well equipment
Food Machinery & Chemical	Hudson-Sharp Machine Co.	Paper mill machinery
	Oil Center Tool Co.	
Gulf Oil	Warren Petroleum	Liquified Petroleum Gases
Heyden Chemical	Newport Industries Inc.	Refined tall oil, rosins, fine chemicals, turpentine, etc.
National Dairy Products	Metro Glass Co.	Glass containers
	Orange State Processing Corp.	Fruit juices
	Daily Made Pure Fruit Juices Inc.	Fruit juices
Philco	Bendix Home Laundry Equipment	Laundry machines
	Sierra Electric Corp.	Electrical instruments
Procter & Gamble	Assets of Charmin Paper Mills	Paper
St. Regis Paper	Cambridge Corrugated Box Co.	Corrugated boxes
	Rhinelander Paper Co.	Paper
Sylvania Electric Products	Formatic Machine Co.	Eyelet machine parts
	Argus Cameras Inc.	Cameras
Tidewater Oil Co.	Assets of Eastern Oil & Gas Corp.	Distrib. and service stations
	Pulver Gas & Oil Corp.	Distrib. and service stations
Union Carbide & Carbon	Visking Corp.	Plastic film
U. S. Hoffman Machine	80% Int. Highfield Mfg. Co.	Valves, fittings, etc.
U. S. Plywood	Barash Co. Inc.	Converter of plastic materials
Winn-Dixie Stores	H. G. Hill Stores Inc.	Chain grocery
	Kings Supermarkets	Chain grocery
Worthington Corp.	Acquired plant from Royet Jet Inc.	Air conditioning

an investor group, consisting principally of investment trusts and institutional type investors, 1.1 million shares of Texas Pacific Coal & Oil. This purchase, involving an investment of approximately $40.7 million, gives Sinclair a 30% interest in TP which has, according to estimates by three independent engineering firms, total oil reserves of from 75 million to 114 million barrels and total gas reserves of from 272.5 billion to 530 billion cubic feet. Diversity of engineering estimates is not out of the ordinary, the figures varying with method and interpretation. The company's own engineering staff, using the same data available to the other engineering groups, put total oil reserves at 109.1 million barrels and total gas reserves at 525.7 billion cubic feet.

Texas Pacific, a producer only, on the basis of latest released data, owned 109,241 developed acres, 89,629 acres of which are in Texas. Its undeveloped acreage in that state amounted to 228,679 acres to which, adding undeveloped acreage in New Mexico, Oklahoma, the Dakotas and other states, brought total holdings in this category to 1,110,264 acres. Another asset is TP ownership, in fee, of coal reserves estimated at 160 million tons. In view of the nation's increasing need for fuels of all kinds and the outlook for a growing employment of solid hydrocarbons through chemistry, these coal deposits constitute a potentially valuable resource.

Whether Sinclair will stand "pat" with its 30% holdings of TP, which has no preferred stock nor debt of any kind other than accounts payable and accrued Federal income tax, or will add to its holdings is not known. At the time of its purchase of TP stock, Sinclair stated its action represented a long-range investment in a successfully managed oil-producing company which, during recent years, has been able to do better than industry average in discovering and developing new oil reserves. There is reason to believe Sinclair got a bargain, although it appears its primary purpose in making its purchase of TP stock was to tie in with a growing crude oil producer.

Joint Ventures In Steel

When, only a few years ago, it became obvious that new sources of iron ore had to be developed to supply the growing demands of the nation's steel producers, a number of companies in the industry, instead of going it alone at almost prohibitive cost, banded together to develop new properties, each bearing its proportionate share of expenses. Thus Republic Steel, Armco Steel, National Steel, Wheeling Steel and Youngstown Sheet & Tube joined with other participants in forming the Iron Ore Co. of Canada, to develop and operate a Labrador, Quebec, iron ore project. Operations there began (*Please turn to page* 359)

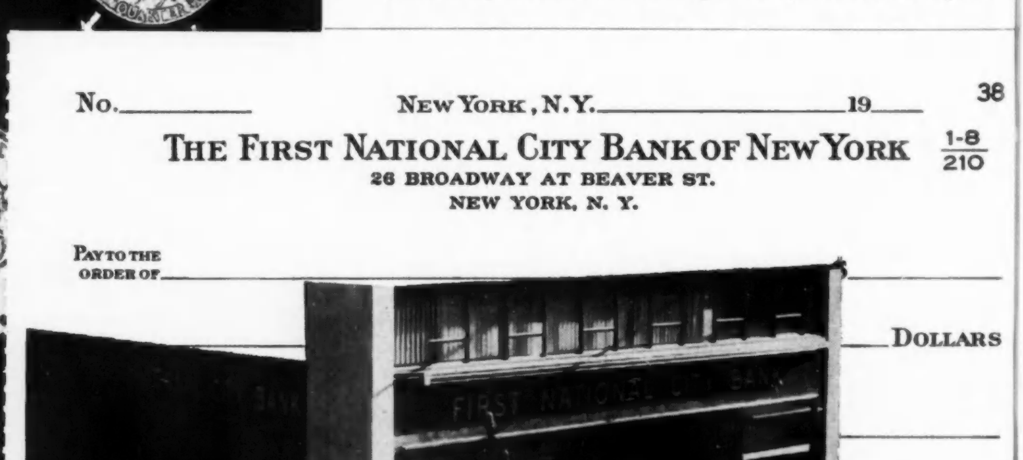
Broadening Horizons for

THE FIRST NATIONAL CITY BANK

By JOSEPH C. POTTER

Owners of television sets in the New York area are familiar with an 11 PM newscast, sponsored by the First National City Bank of New York. The reporter, John K. M. McCaffrey, always starts out by saying: "Well, what kind of day has it been?"

If Mr. McCaffrey and TV had been around on June 16, 1812, the public would have learned that a group, which had formed City Bank of New York, had been granted a charter. Application for the charter arose from a pressing need, for the most important financial institution of the day, the First Bank of the United States, had been liquidated in 1811. Its retirement from the field and the closing of its New York branch office (Philadelphia had been headquarters) had left an open-



ing for a new bank in New York.

In the intervening 144 years, marked by six wars and 13 major depressions, the company has become a kingpin of the banking field — not only in the United States, but abroad as well. Indeed, the War of 1812 started just two days after the bank was chartered. It is a proud boast of the bank that, despite wars and depressions, it has paid dividends each year since 1813.

In fact, this impressive record was maintained despite other disasters — a yellow-fever epidemic in 1822 and the great Wall Street fire of 1835, which stopped just short of City Bank's home at 52 Wall (Headquarters was switched to 55 Wall in 1908).

Coming Onto the World Scene

It was in 1865 that City Bank surrendered its state charter and entered the new national banking system as The National City Bank of New York. And then as this fledgling country's overseas commerce grew, hundreds of business people for the first time ran into the intricacies of doing business in foreign lands. City Bank moved to fill this need in 1895 by organizing the first foreign department in any American bank. This was the foundation for the bank's present unparalleled foreign organization.

It was around the outbreak of World War I that City Bank established in Buenos Aires the first overseas branch opened by a national bank. Branch banks quickly followed in other leading cities of Latin America, making it possible for the first time to effect direct Pan-American settlements in dollars through New York instead of London.

Next development was establishment of such branches in the Orient. Extension of world-wide services for American business in the Far East and Europe was speeded by City Bank's purchase, in 1951, of a controlling interest (since made 100%) in the International Banking Corp. City Bank now operates 70 overseas branches, offices and affiliates in 24 countries.

From this far-flung organization, which is growing steadily, an unmatched flow of credit, financial, exchange and other information comes into 55 Wall Street every day. In this fashion, City Bank makes available to business people of this country, wherever they may be operating, the essential banking services and information required to do business overseas.

Comparative Balance Sheet Items

RESOURCES	December 31 1946	September 30 1956 (000 omitted)	Change
Cash, and in Banks	$1,296,001	$1,574,995	+$ 278,994
U. S. Gov. Obligations	2,188,205	1,126,860	— 1,061,345
State & Munic. Secur.	186,735	450,960	+ 264,225
Other Securities	136,383	111,574	— 24,809
Loans & Discounts	1,093,945	3,536,116	+ 2,442,171
Cust. Liab. for Accept.	12,759	62,692	+ 49,933
Federal Reserve Stock	6,900	15,000	+ 8,100
Int. Banking Corp.	7,000	7,000	....
Bank Premises	29,281	34,918	+ 5,637
Real Est. Loans & Secur.	3,346	41,461	+ 38,115
Items in Transit & Oth. Assets	17,181	6,785	— 10,396
TOTAL	$4,977,736	$6,968,361	+$1,990,625
LIABILITIES			
Capital Stock	$ 77,500	$ 200,000	+$ 122,500
Surplus	152,500	300,000	+ 147,500
Undivided Profits	29,535	66,116	+ 36,581
Unearned Discounts, etc.	4,147	27,000	+ 22,853
Reserve for Taxes, Int., etc.	31,520	45,083	+ 13,563
Dividend Payable	4,650	6,000	+ 1,350
Items in Transit	....	4,945	+ 4,945
Due Foreign Banks	....	27,126	+ 27,126
Liabil. on Accept. & Bills	13,781	66,003	+ 52,222
Deposits	4,664,103	6,226,088	+ 1,561,985
TOTAL	$4,977,736	$6,968,361	+$1,990,625
BOOK VALUE PER SHARE	$ 25.95	$ 56.61	+$ 30.66

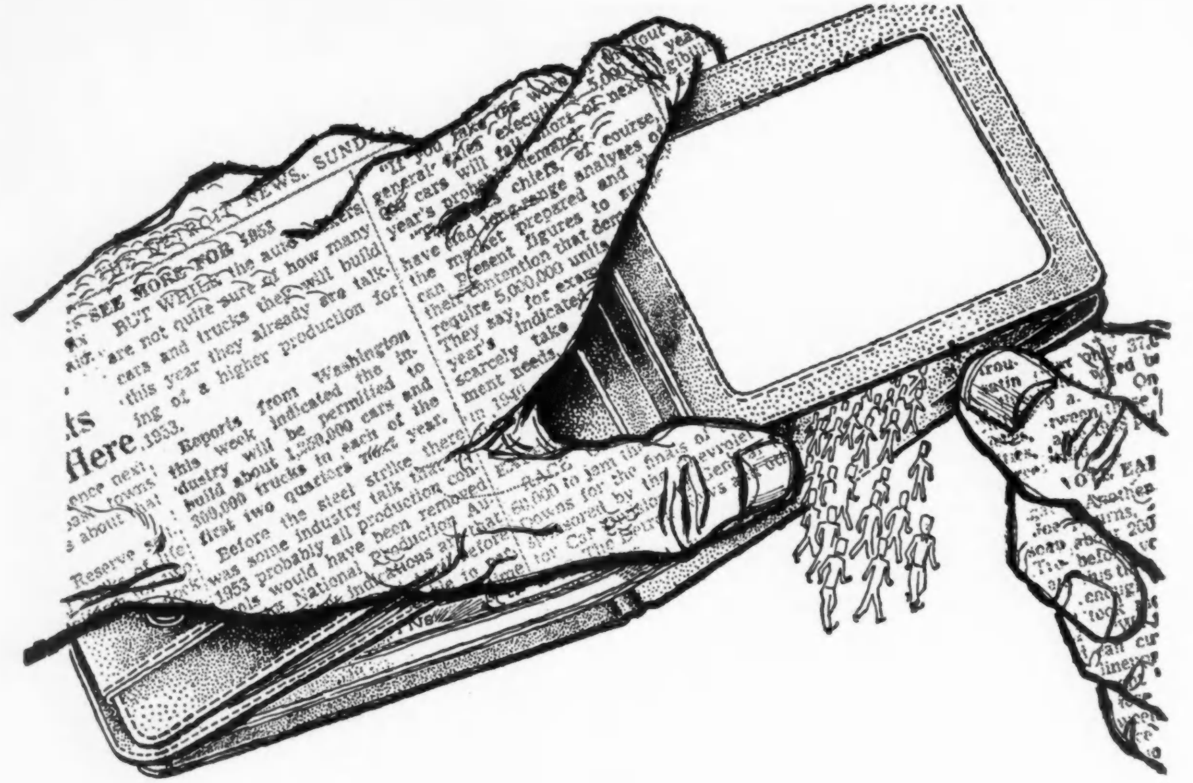
35 Years of Branch-Banking

In these times of going to the customers, a trend among merchandisers, it is refreshing to recall that City Bank was on the road to doing that very thing back as far as 1921. That was the year the bank opened a branch in the (*Please turn to page* 350)

Long-Term Operating and Earnings Record

	Deposits	Total Operating Revenues	Operating Expenses and Interest Paid	Taxes and Assessments	Net Operating Earnings	Security Profits	Total	Net Per Share	Div. Per Share	Price Range High Low
	(Millions)									
1956 (1st 9 months)	$6,226[1]	$155.5	$79.6	$37.4	$38.4	$d4.5	$33.9	$3.39	$2.60[2]	72½-60½
1955	6,469	175.1	95.1	37.4	42.4	d2.1	40.2	4.03	2.45	64¾-56¼
1954	5,744	146.1	83.8	28.5	33.7	7.9	41.6	4.17	2.25	58¾-47⅞
1953	5,637	141.5	76.9	33.2	31.2	d .4	30.7	3.07	2.00[3]	54¾-46½
1952	5,718	124.3	69.1	26.4	28.6	.1	28.8	2.88	2.00	53⅝-45⅜
1951	5,549	110.6	60.0	25.2	25.3	.5	25.8	2.58	2.00	49⅜-43¼
1950	5,244	93.5	53.1	17.4	22.9	2.1	25.0	2.51	2.00	47⅞-40
1949	4,781	86.1	49.1	15.4	21.4	1.1	22.6	2.26	1.80	45⅛-37¼
1948	4,731	82.9	47.9	14.0	20.8	.6	21.5	2.15	1.60	41⅝-35¾
1947	4,993	80.2	45.6	14.4	20.1	2.3	22.4	2.25	1.60	44¾-35⅝
1946	4,786	76.6	41.9	15.9	18.8	3.9	22.7	2.27	1.60	50⅛-38⅜

[1]—As of Sept. 30, 1956. [2]—Indicated 1956 dividend. [3]—Plus stock. d—Deficit.



Varying 1957 Prospects for

The Finance Companies

By RICHARD COLSTON

It is only natural that in a period when the business world is extremely conscious of a "tight money" situation the investing community should turn its attention to the possibility of increased earnings from the finance companies.

It's also only natural to expect that with cash at such a premium, more and more of the consumers—and industry, too—will be turning to the finance companies to make full use of their lending resources to meet the costs that come with a higher standard of living or expansion of facilities to keep pace with added volume.

This means the nation's 1,000-plus finance firms would fully commit all their available funds on which they would be earning the maximum interest possible in the post-war era. That such a condition does prevail already is acknowledged. Today, non-mortgage instalment debt totals over $30 billion, or more than one-tenth of the nation's annual income. This is a staggering figure compared to the meagre $2.5 billion worth of instalment credit outstanding at the end of World War II. However, it must be kept in mind that credit naturally was kept down during the war by virtue of the shortage of goods available for consumers.

Charting the Credit Rise

More impressive to the potential investor is the pace at which instalment credit jumped since 1952, when it totaled $18.7 billion. In 1955 the figure rolled up to the $27 billion mark. The question fretting every investor is how much higher this credit surge can continue without harmful effects.

An absolute answer to this question would qualify the respondent for the post of Secretary of the Treasury. Yet the actions of some of the major finance companies, coupled with those of some key manufacturing industries that depend on the finance companies, indicate the expectations are that it will go higher—and with beneficial effects—for industry and probably finance-company shareholders.

The alarmists contend that further expansion of instalment credit is encouraging the advent of inflation, since it means pouring more spending money into the market place than can be absorbed by the

production of consumer goods. Moreover, the instalment-credit system is charged with stimulating sales and output to artificial heights which, once credit business is withdrawn or weakened, would come tumbling down. This, in effect, is the same argument that contends the panic of 1929 was caused in part by the tremendous amount of buying of stocks on margin. This "margin," or credit, they contend, now exists in the field of consumer goods rather than the securities markets and thus is potentially more dangerous. That the national economy would be hurt seriously if credit buying sustained a setback is not argued. The issue is what is the risk of that happening?

Sophistication of Consumer

One answer is that credit buying cannot be blamed for any recession in past history and even the theory of buying on margin in 1929 is challenged as an important factor in causing the Great Crash. There is another theory worth noting that also is important to keep in mind when attempting to evaluate the future potential of the finance companies. It might be called the sophistication of the consumer. The contention that the public is going deeper and deeper in hock is frequently made with little or no reference to gains in income.

The consumer is increasing his consumption of goods—ranging from autos and swimming pools to trips abroad or hi-fi systems—as his income, in the form of salary, increases. One of the theories of Lord Keynes, British economist, who certainly left his mark on the American economic system, was that the increase in consumption never keeps pace with the increase in income. Result: The consumer himself provides a safety belt against reckless commitments that bring on inflation.

Today's consumer, however, riding on a wave of full employment, also is aware of the inflation threat. Result: The consumer argues that the item he wants to buy probably will cost more in 12 months and that the cost of financing the purchase now by an instalment-credit loan will be offset by the expected price hike a year from now. In short, he expects to pay off today's loan with cheaper dollars tomorrow, when he expects his income to be the same or higher than it is today. This is tenable as long as prices continue to rise.

Companies Anticipate Growth

The finance companies, of course, do not justify their confidence in the outlook by advancing such theories. Yet their actions certainly indicate they are not expecting an era of contraction in their business—but rather growth.

Since mid-June virtually all the major companies in the industry have adopted a twofold expansion plan. They've either sold securities to obtain additional money for the late 1956, or early 1957, financing business, or they've acquired other finance companies with the aim of getting more funds to expand business and to obtain more widespread representation as the business becomes more competitive.

One factor that an investor might properly give thought to is whether or not the nation's banks have moved into the financing business to such an extent that they, and not the finance companies, will reap any real benefit from a continued climb in instalment sales. To this question the finance men have a threefold answer. The banks are by nature conservative and often refuse to accept credit risks that are routine—and satisfactory to the finance companies. The finance companies also pride themselves on their ability and willingness to handle the financing problems of an industry all the way down the line from production of the goods to the ultimate consumer, which includes wholesale financing, factoring, commercial financing and even various types of insurance. Finally, they contend they are much more flexible than other money institutions and thus able to move with more speed than banks.

Flexible Finance Companies

One demonstration of this flexibility has taken place in the last few months as the finance companies moved swiftly into the money markets and raised additional capital to be prepared for tighter credit.

The sales-finance companies have four methods of raising funds. They borrow from banks, sell unsecured notes or com- (*Please turn to page* 360)

Statistical Data on Leading Finance Companies

	1954		1955		1956				
	Earnings Per Share	Div. Per Share	Earnings Per Share	Div. Per Share	9 Months Earnings Per Share	Indicated Div. Per Share	Price Range 1955-56	Recent Price	Indicated Dividend Yield
American Investment Co. (Ill.)	$1.18	$ .80	$1.30	$ .85	$ .95	$1.00	19⅛-14¾	16	6.3%
Associates Investment Co.	4.85	1.80	5.86	2.00	4.42	2.40	73 -52¾	68	3.5
Beneficial Finance Co.	1.55	.96	1.72	1.00	1.45	1.00	22⅜-18⅜	19	5.2
C.I.T. Financial Corp.	3.85	2.35	4.03	2.35	3.06	2.40	50⅜-39⅞	42	5.7
Commercial Credit Co.	4.86	2.60	5.22	2.65	3.95	2.80	57¼-44⅞	48	5.8
Family Finance Corp.	2.01	1.40	2.29	1.42½	1.15[1]	1.50	25½-21¾	23	6.5
General Acceptance Corp.	1.20	1.00	1.32	1.00	1.07	1.00	17⅞-14¼	15	6.6
General Finance Corp.	1.62	.65	2.02	.75	1.45	.80	19½-13⅞	18	4.4
Household Finance Corp.	2.30	1.20[2]	2.19	1.20	2.20	1.20[2]	34 -24½	25	4.8
Pacific Finance Corp. (Calif.)	3.40	2.00	4.26	2.00	3.03	2.00	44⅛-31⅝	32	6.2
Seaboard Finance Co.	1.06	.90	1.17	.90	1.04	.97½	19⅞-15	17	5.7

[1]—Estimated 6 months earnings, 12-31-56. [2]—Plus stock.

THE EDITORS'

INVESTMENT CLINIC

How to Avoid Investment Pitfalls

Under the title "Investment Clinic" there has been published in THE MAGAZINE this year more than a score of studies, dealing with such varied subjects as Amortization and Depreciation, the Monthly Investment Plan and the need for caution in buying unseasoned stocks.

These studies, each one on a different subject, were prompted by the inquiries of investors who subscribe to THE MAGAZINE. Their questions ranged from requests to explain puts and calls to queries on the value of certain stocks. The mail this year ran heavier than ever, which should occasion no surprise since there are about 9 million Americans who own shares of stock in publicly-held companies. Over a four-year span there has been an increment in the stockholder population of 33%.

Unfortunately, this rise in the number of investors has provided a field day for unscrupulous stock operators. Nor were their activities confined to the so-called "penny uranium stocks," which received widespread publicity in the press. It also was an active period for the vendors of moose pasture, whose owners promised swift riches for the victims, and obscure oil stocks, often situated beyond the borders of the country.

Alerting the Investor

It is a source of comfort that we have made a contribution, however small, to alerting the investor to the pitfalls on innumerable occasions. We have seen our counsel vindicated on a number of occasions in recent weeks, which were marked by investigations of certain stock promotions.

Now comes the Securities and Exchange Commission with a 10-point guide to help the investing public to detect the fraudulent stock operators. This guide was compiled by the S. E. C., Jacob K. Javits, Attorney General of New York State; representatives of the New York Stock Exchange and American Stock Exchange, and leading securities dealers and investment bankers.

The guide advises buyers to be skeptical of securities offered on the telephone and of promises of "quick, spectacular price rises." Investors are counseled to remember "the risk of loss as well as the profit of gain."

It is a rare investor, indeed, who has not, at one time or another, been the recipient of a telephone call from a smooth-talking fellow who offered a get-rich-quick stock that could be bought for anything from pennies per share to a few dollars. More often than not, the caller knew nothing himself about the securities offered. He had been hired by the stock promoters because of his qualities as a masterful salesman.

Resilient "Boiler Rooms"

Many of these unscrupulous stock operators and their willing hirelings have been put out of business by Federal and state authorities, but since they work out of small, inexpensive offices, requiring little more than pitchmen and telephones, there is little difficulty in resuming business under another name and carrying on as of yore. These are the so-called "boiler room" operators.

The S. E. C. has been tightening supervision and certain regulations which affect these "boiler room" operations. But officials have moved none too soon, for losses from several recently detected operations in New York City were reported to have exceeded $3 million. As to the losses suffered in areas far removed from the nation's financial center, no statistics are available, but they have been considerable. Indeed, the heat of publicity in New York has been so great that many boiler rooms have turned to the lush fields elsewhere in the country.

Paul Windels Jr., the S. E. C.'s New York regional administrator, and Mr. Javits have said that too many people fall prey to unknown high-pressure telephone salesmen who have peddled securities of no value or dubious value.

Identifying the Operator

The unscrupulous operator is not easy to identify in most instances. Even the investor who is wary enough to call at the offices of the promoters may be disarmed by their air of sincerity. "Of course, we are not in production yet," the prospect may be told in answer to a question, assuming the shares offered are in an oil or mining venture. "But geological tests have shown . . ."

There will follow, to be sure, a learned treatise on the mineral wealth that lays beneath the land leased. Most likely, the promoter has never seen the property and knows absolutely nothing about geological for-

mations. It is important only that he appear to know something. His victim, nine times out of nine, knows nothing about the subject.

The prime prospect is the investor who finds considerable appeal in the "low price" of the stock being offered. This investor usually reasons:

"What can I lose at 75 cents a share? It can't go down much. If I buy that $100 stock I was thinking about, I could only get 10 shares—and what's that! And that one could fall a long way."

This is the kind of investor that no law-enforcement agency can help. Investors must remember that there always were laws to punish the practitioners of fraud, but no legislative body can outlaw human gullibility and greed.

Canada's Fast-Buck Operators

Americans pride themselves on being shrewd traders, yet this country has been the prime market for scores of Canadian stock offerings of dubious value. Once gold-mining equities caused the most difficulty, but this type has been replaced by illegal uranium stock offerings. In recent days, our S. E. C. has added 19 companies to its "Canadian restricted list."

Victims, naturally, can not bring themselves to admit that their gullibility and greed led them to lose their money. It is convenient to blame the S. E. C. While this is not a brief for the S. E. C., it is important to remember that the policing of more than 4,100 registered brokers and dealers spread across the nation poses an insuperable problem. After all, brokers and dealers are not inspected with the same thoroughness and regularity as banks.

The S. E. C. is able, under its present budgetary allotment, to inspect no more than 800 per year. The calculated risk involved in this limited program is diminished somewhat by the fact that the members of most stock exchanges are inspected by their own exchanges and the members of the National Association of Securities Dealers are inspected by that organization. A few states have inspection procedures. Financial reports are filed with the S. E. C. by registered brokers and dealers.

Finally, it is well to remember that many a shrewd small-time stock promoter operates within the pale of the law, depending on the intended victim to neglect to read the prospectus. The S. E. C. has adopted a new rule to allow corporations to publish summaries of proposed security issues before they are actually free to sell these. Security advertising hitherto has been limited to identification of the company, the amount and type of the security, and the date it was to be offered.

This action allows more information to be distributed by circular and by newspaper advertising, although readers must be notified that the full prospectus is available.

Informatio.ı is Free

The new rule could be what J. Sinclair Armstrong, S. E. C. chairman, has described as a "major development" in getting information to the investing public during the period between the filing of a registration statement and the end of the 20-day interval before the offer of securities can begin. It should enable investors to make an analysis of the merits of the issue.

We live in an age in which information on publicly-owned corporations is as free as the air we breathe. Reputable investment counsel is more easily had than at any other time. As we stand on the brink of a new year, a splendid resolution would be: "I'll investigate before I buy."

In all fairness it must be pointed out that smallness is not synonomous with fraud. Many a small stock offering has considerable merit. After all, all of our present-day corporate giants once were small companies.

However, in buying into small companies, firms that, for example, have until now been privately held, the need for care is far greater than in the instance of a well-seasoned equity with a long-time history of earnings and dividends that is a matter of pblic record. This should not discourage the prospective investor, if he believes there may be considerable merit in a growing young company that is in quest of risk capital.

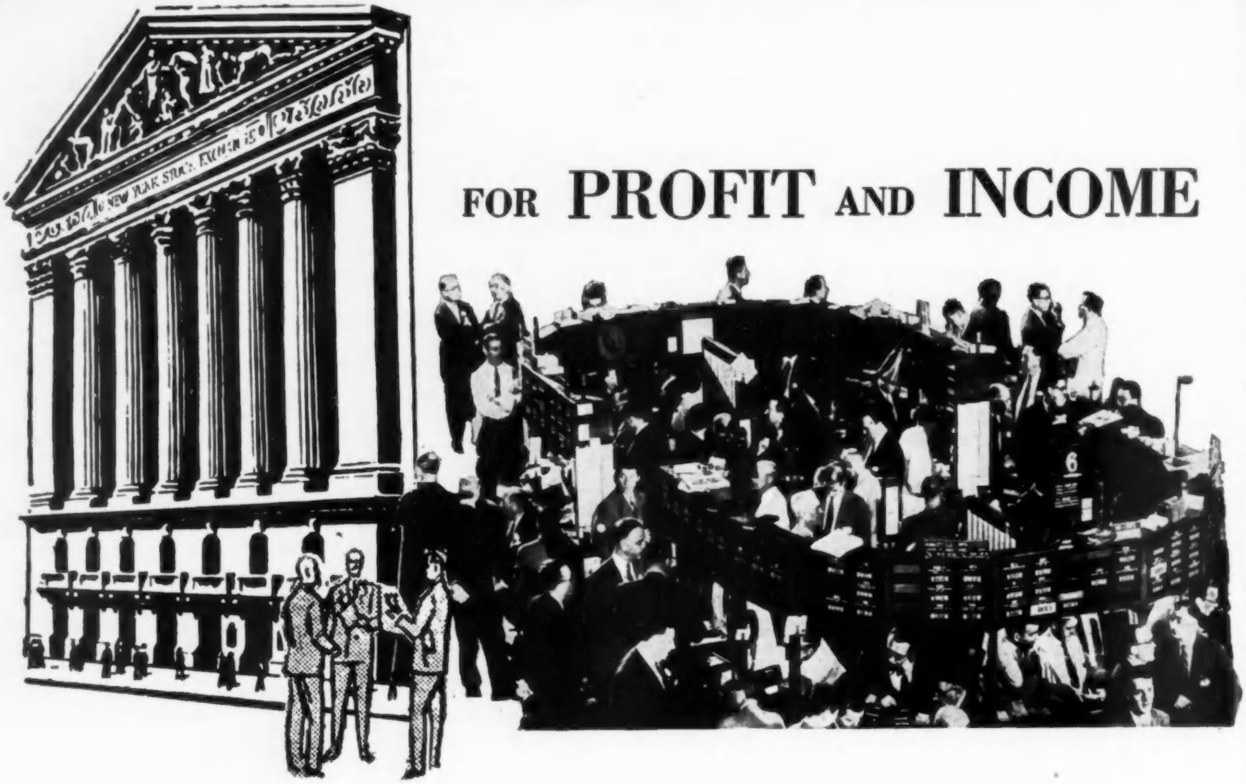
The recipe for success in investment enterprise — investigation, good judgment (or wise counsel) and an awareness of one's aims—is not altered, whether the investor buy blue chips or obscure issues. No public supervisory authority can protect the investor from his own foolishness.

Nevertheless, we all are indebted to those individuals and groups for their 10-point stock guide. If it does nothing else, it should provide food for thought. END

A Stock Tip On Which You Should Act Fast!

(The following is in the nature of a warning to the investor against fraudulent stock practices. This 10-point stock guide was developed by the S. E. C., the office of Jacob K. Javits, Attorney General of the State of New York; the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Investment Bankers Association and other agencies.)

1. Think before buying.
2. Deal only with a securities firm you know.
3. Be skeptical of securities offered on the telephone from any firm or salesman you do not know. (You're probably on a "sucker" list.)
4. Guard against all high-pressure sales.
5. Beware of promises of quick, spectacular price rises.
6. Be sure you understand the risk or loss as well as the prospect of gain.
7. Get the facts—do not buy on tips or rumors.
8. Request the person offering securities over the telephone to mail you written information about the corporation, its operations, net profit, management, financial position and future prospects. Save all such information for future reference.
9. If you do not understand the written information, consult a person who does.
10. Give at least as much thought when purchasing securities as you would when acquiring any valuable property.



FOR PROFIT AND INCOME

Stock Groups

Variations in behavior of the stock groups at any given time are due to differences in industry earnings prospects in some cases and to technical factors in others. For example, prospects are promising for the aircraft and drug groups; but, in a profit-taking dip, both are softer than the industrial list at this writing. On the other hand, the outlook is not bullish for textiles or movies, but currently they are holding up better than the market because they had previously been substantially sold out. Among others, groups now especially soft because of previous over-exploitation and/or a more sober appraisal of present earnings prospects are: Aluminum, building materials, chemicals, paper and tires. Groups meeting above-average demand because of superior or improved profit prospects include coal, machinery, domestic oils, rail equipment, shipbuilding, steel and sugar. Most stable-dividend groups are firmer than the market, as is usually so when the latter is unsettled, as at this writing, including: Dairy products, small-loan stocks, food brands, food stores, electric utilities, natural gas stocks and tobaccos.

Stocks

Among stocks now showing special strength, or holding near their earlier highs, are: Babcock & Wilcox, Bath Iron Works, Newport News Shipbuilding, Republic Steel, Outboard Marine, Bethlehem Steel, United Electric Coal, American Sugar, Cutler-Hammer, U. S. Steel, West Indies Sugar, Pittston, and Joy Manufacturing.

Pressure

To mention only some more prominent names, the long list of stocks currently at new 1956 lows include Allied Chemical, American Radiator, Atchison, Colgate-Palmolive, Con Edison, Corning Glass, du Pont, Kresge, Motorola, Owens-Illinois Glass, Philco, Radio Corp. of America, Scott Paper, Standard Oil of California, United Fruit, U. S. Rubber, Rayonier, Consumers Power, Diamond Match, Borden, American Viscose, Coca-Cola, International Paper, Paramount Pictures, Rohm & Haas, Southern Pacific and Woolworth.

Oils

Sharply reduced shipments of Middle East oil and increased exports of United States oil will benefit the entire domestic petroleum industry via a firmer price structure for crude oil and refined products; but the biggest gainers will be domestic companies which are in a position to boost crude production and sales. However, this has to be figured as a temporary windfall which should not

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1956	1955
Cities Service Co.	Quar. Sept. 30	$1.29	$ .90
American Home Products	9 mos. Sept. 30	6.09	3.94
Atlantic Refining	9 mos. Sept. 30	3.53	2.61
El Paso Natural Gas	12 mos. Aug. 31	4.02	2.42
Kennecott Copper	Quar. Sept. 30	2.48	1.53
National Supply Co.	9 mos. Sept. 30	7.50	4.76
American Brake Shoe	Quar. Sept. 30	1.15	.76
Mack Trucks	Quar. Sept. 30	1.48	1.05
Virginian Rwy.	9 mos. Sept. 30	7.11	4.37
Clevite Corp.	Quar. Sept. 30	.56	.27

be too highly capitalized in stock prices (see story, starting on page 317). If we escape World War III, it is only a matter of some months before Middle East oil will get back its normal markets – and if we don't escape major war, what value will there be in any stock, bond or bank deposit? Meanwhile, in recent weeks, to cite a few examples, domestic oils like Amerada, Continental, Ohio Oil, Pure Oil and some others have risen by the equivalent of anywhere from one to three years of earnings at the current rate. Meanwhile, as reflected in depressed prices, the market consensus on the international oils has become more bearish. These companies have been deprived of a substantial portion, but far from all, of their Middle East production. A good part of the damage will be offset by increased output from their U. S., Canadian and South American properties, and by firmer prices in the domestic and other markets. When and if Middle East uncertainties abate, these stocks will rise and over-priced domestic oils will decline, with domestic crude again in over-supply; and domestic over-supply of gasoline probably still not corrected. Conclusion: Avoid getting too bullish on domestic oils, too bearish on international oils.

What Now?

Speculative buying of Newport News Shipbuilding was recommended here around 62 in our October 13 issue. It is now at 84, up over 35% in a few weeks. This discounts earnings gains for a goodly time to come, but the stock could rise further. If you bought it, hold it pending our later profit-taking recommendation . . . Outboard Marine has been recommended here from time to time at various much-lower levels, most recently around 58, following about a 5-point dip, in our issue of September 29. It recently set a new high of 72⅜, is currently around 70, and is among the 10 top stocks in point of net gain (about 66%) since the start of this year. On a sales gain of about 40%, earnings of $5.06 a share for the fiscal year ended September, against the prior year's $3.68, slightly exceeded our expectation. At this time, a further gain on the order of 25% or so in current-year sales and profits appears to be a reasonable projection. The stock is not yet extremely priced and remains worth holding. We would not buy it, at least pending a healthy price reaction. While the company is well-situated, we repeat that it is no Dow Chemical. A price-earnings ratio around 12 or 13 might be about enough, suggesting a possible price level in the vicinity of 80-85 within a year or less, if general market conditions do not become too much of a brake on the stock.

Automobiles

Dealers' inventories of 1956 cars are pretty well cleaned out, and their stocks of new-model cars are at the lowest level since late 1954. Reports from dealers in many areas – there have not been any yet from the manufacturers – indicate that sales are satisfactory to good. However, investors seem skeptical, or at least not "sold," as regards 1957 auto prospects. Chrysler, in particular, has given up considerable of its recent recovery. The sober mood is not surprising. Investors are taking a cautious-to-dim view on most stocks these days, excepting the few with pretty clear-cut prospects for really strong 1957 earnings gains and which have appeal on a price-earnings ratio basis. It remains our view that their probable 1957 rebound in profits should mean some betterment in the relative market positions of General Motors and Ford, with the same possible for Chrysler but more of a question mark.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1956	1955
Congoleum-Nairn, Inc.	9 mos. Sept. 30	$.28	$1.57
Lorillard Co. (P.)	Quar. Sept. 30	.22	.45
Bethlehem Steel Corp.	Quar. Sept. 30	.29	4.04
Colgate-Palmolive Co.	Quar. Sept. 30	.91	1.99
Jones & Laughlin Steel	Quar. Sept. 30	.13	1.89
Chance Vought Aircraft	Quar. Sept. 30	.50	.96
Clark Equipment	Quar. Sept. 30	.84	1.23
General Motors	Quar. Sept. 30	.48	.90
Newport Industries	Quar. Sept. 30	.28	.41
Owens-Corning Fiberglas	Quar. Sept. 30	.37	.47

Splits

Due to the changed market climate, the wave of stock splits has no doubt put its crest behind; but there are still a few coming along. Recent examples were Dresser Industries and National Supply, (both in the thriving business of supplying oil-gas industry equipment), Continental Oil, and Crucible Steel. Taking into account relatively high market prices, the indicated "leanings" of management, the price levels at which past splits were effected and earnings prospects, here are some logical probabilities for later splits and increased cash dividends, although the splits in most cases are likely to be deferred until the stocks get back nearer their earlier 1956 highs: American Home Products, Bethlehem Steel, Ex-Cell-O, Gulf Oil (if and after the Middle East situation stabilizes), Halliburton Oil Well Cementing, Inland Steel, National Lead and United Aircraft. We do not see much "if" about it, except in timing.

Institutions

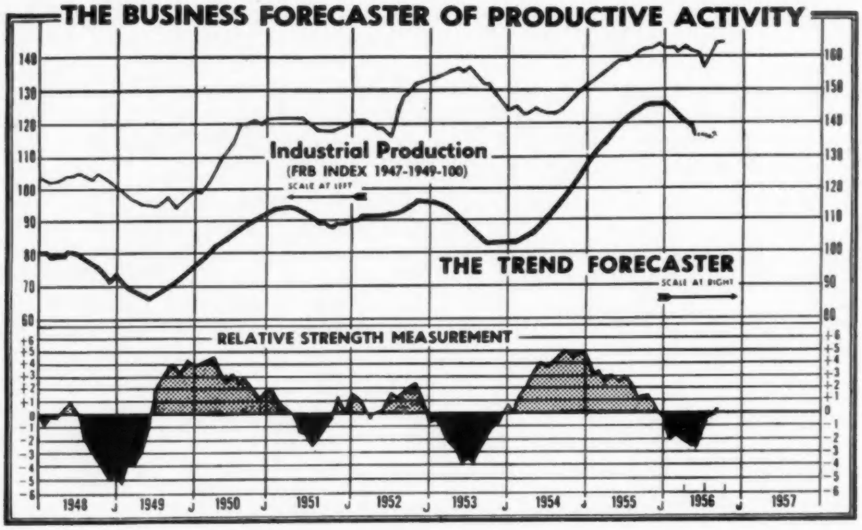
Caution is not confined to individual investors. While some institutional funds continue selective buying of stocks on a dollar-averaging basis, others are holding back. Total institutional demand for equities has contracted. This is not surprising, since bond yields now are so close to average industrial stock yields, since popular growth stocks have been generally over-exploited, and since confidence in the market's upside potential has been considerably impaired. The round-up of mutual-fund operations in the third quarter shows increased holdings of cash and bonds; a buying preference for aircraft, bank and steel stocks, mixed changes in positions in most other stock groups. Of course, this now is history; but there is no reason to think that institutional fund managers have become generally more bullish on common stocks so far in the fourth quarter.

Sugar

Sugar stocks have had a substantial recovery from mostly de-

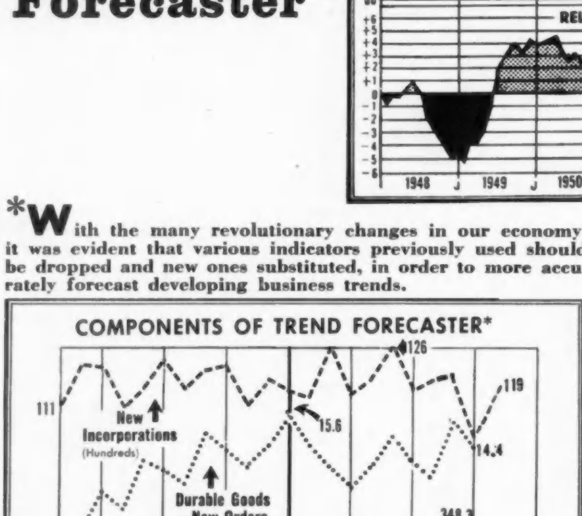
(*Please turn to page* 364)

the Business



Business Trend Forecaster*

*With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.



*—Seasonally adjusted except stock and commodity prices
(a)—3 month moving average.

This we have done in our new *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

When the *Forecaster* changes its direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

Looking backward over the past five months, the components of the **Trend Forecaster** make one aspect of business conditions very clear. The steel strike of mid-1956 has obviously not produced the sustained boomlet that emerged out of the 1952 steel strike, and comparisons between the two ensuing periods are not a useful forecasting device. Since mid-year, the more pronounced weaknesses in the component series of the **Trend Forecaster** have disappeared (viz., the decline in hours of work, and in raw material prices). But other weaknesses have taken their place (viz., the stock market and, in very recent months, non-residential construction). The **Relative Strength Measurement** has risen from its minus-2 to minus-3 range of mid-year to about zero; but the uncertain and divergent trends of recent months have kept it from moving into a positive area indicative of expansion.

In the next two months, the **Trend Forecaster** will be spelling out the reaction of business to the sharply higher level of international tension in late October and November, and for this reason it will bear close watching. As of presently available figures, however, the **Forecaster's** indications are for continuing general stability into early 1957, and the trends of the components do not suggest strength beyond this period.

Analyst

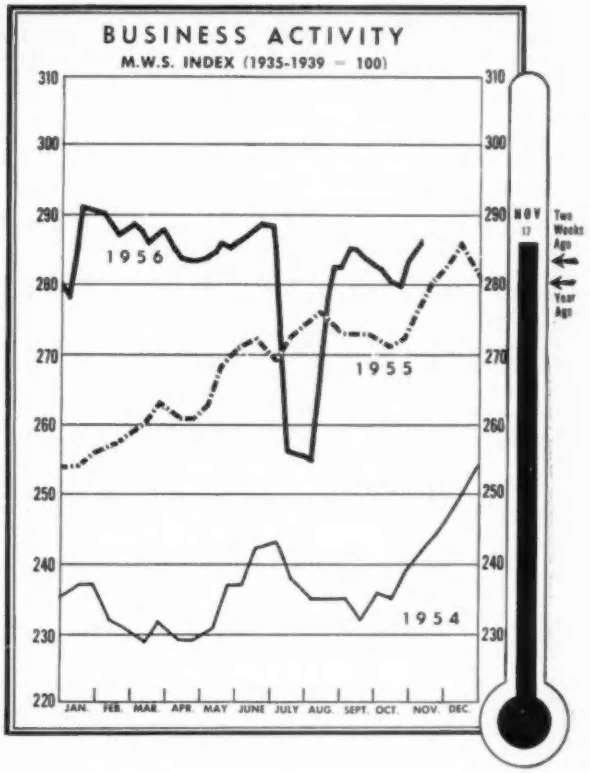
CONCLUSIONS IN BRIEF

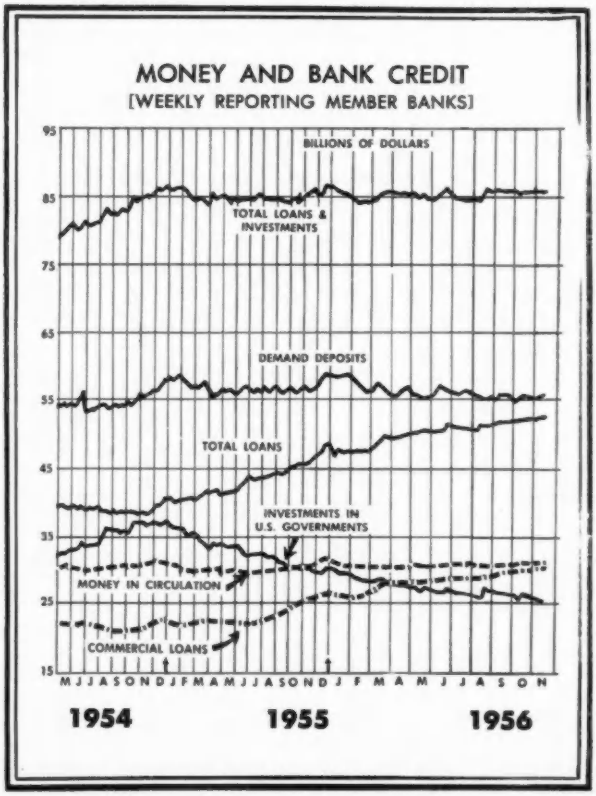
INDUSTRY — Production activity is scoring small further advances in November and December, despite starting-up problems in automotive plants. The trend will be up slightly into February, when restocking of auto dealers should be completed. Machinery uptrend should level off.

TRADE — Retail sales sank somewhat in late October and early November, reflecting a scarcity of new cars and unseasonable weather for apparel lines. A strong recovery is indicated for Christmas and the early months of 1957.

MONEY AND CREDIT—Rise in interest rates has picked up momentum. The Fed has been faced with the dilemma of restraining inflationary forces while providing business with increased seasonal credit requirements. For the time being, the authorities have decided that the fight against inflation must get first priority.

COMMODITIES — Price increases have become more selective as purchasing agents fight higher costs all along the line. Look for greater price stability unless foreign situation worsens.





A first stage in the impact of Suez on American business conditions is apparently now complete. Inventories have been reexamined, price quotations that were tentative a month ago have been firmed up, programs of capital spending have been reviewed, and markets reassessed.

The result thus far has been to add a mild undertone of strength to business sentiment that conflicts rather strikingly with the mixed and on the whole weak behavior of statistics in recent months (see "The Business Forecaster," on facing page.) The contrast makes a point: the widespread optimism expressed by businessmen with respect to 1957 is a carryover from mid-1956, and is not yet in line with the facts, as they existed prior to the invasion of Egypt. The question for the next several months is whether increased international difficulties in the Middle East will finally justify a level of optimism which could not be justified on the prevailing trends in business conditions themselves. Thus, a second stage of reappraisal of Suez itself is now in progress, the outcome of which needs further clarification.

Apart from Suez, the outlook for 1957 as a whole is itself a paradox. Because of the steady uptrend of gross national product during 1956, **the new year will start at a level well above the annual average for 1956,** and the common forecast of GNP puts it as much as 5% higher in 1957 than in 1956. This forecast, however, is so broad as to be almost meaningless. Underneath the aggregate **there appear to be several areas where significant declines are possible:** in capital goods demand, in inventory demand, and perhaps in residential construction. (For a detailed examination of 1957 prospects, see "Keys to the 1957 Outlook", elsewhere in this issue). The same point could be made about price *(Please turn to following page)*

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	Oct.	145	145	143
Durable Goods Mfr.	1947-'9-100	Oct.	165	164	161
Nondurable Goods Mfr.	1947-'9-100	Oct.	130	129	129
Mining	1947-'9-100	Oct.	128	128	123
RETAIL SALES*	$ Billions	Sept.	16.0	16.3	15.8
Durable Goods	$ Billions	Sept.	5.3	5.5	5.8
Nondurable Goods	$ Billions	Sept.	10.7	10.7	10.0
Dep't Store Sales	1947-'9-100	Sept.	123	129	122
MANUFACTURERS'					
New Orders—Total*	$ Billions	Sept.	28.2	29.1	28.3
Durable Goods	$ Billions	Sept.	14.4	15.2	14.9
Nondurable Goods	$ Billions	Sept.	13.8	13.9	13.4
Shipments*	$ Billions	Sept.	27.7	27.6	27.2
Durable Goods	$ Billions	Sept.	13.7	13.7	13.7
Nondurable Goods	$ Billions	Sept.	14.0	14.0	13.5
BUSINESS INVENTORIES, END MO.*	$ Billions	Sept.	86.4	86.1	80.0
Manufacturers'	$ Billions	Sept.	50.1	49.5	44.7
Wholesalers'	$ Billions	Sept.	12.9	12.8	12.0
Retailers'	$ Billions	Sept.	23.4	23.7	23.2
Dept. Store Stocks	1947-'9-100	Sept.	139	141	129
CONSTRUCTION, TOTAL	$ Billions	Oct.	4.1	4.3	4.0
Private	$ Billions	Oct.	2.8	2.8	2.8
Residential	$ Billions	Oct.	1.4	1.4	1.5
All Other	$ Billions	Oct.	1.4	1.4	1.3
Housing Starts*—a	Thousands	Oct.	1,050	1,000	1,209
Contract Awards, Residential—b	$ Millions	Oct.	656	764	783
All Other—b	$ Millions	Oct.	1,050	1,261	1,080
EMPLOYMENT					
Total Civilian	Millions	Oct.	66.2	66.1	65.2
Non-Farm	Millions	Oct.	52.4	52.2	51.1
Government	Millions	Oct.	7.3	7.2	7.0
Trade	Millions	Oct.	11.3	11.1	11.0
Factory	Millions	Oct.	13.4	13.3	13.4
Hours Worked	Hours	Oct.	40.6	40.7	41.1
Hourly Earnings	Dollars	Oct.	2.02	2.00	1.91
Weekly Earnings	Dollars	Oct.	82.01	81.40	78.50
PERSONAL INCOME*	$ Billions	Sept.	328.5	328.1	311.0
Wages & Salaries	$ Billions	Sept.	228	227	215
Proprietors' Incomes	$ Billions	Sept.	51	51	49
Interest & Dividends	$ Billions	Sept.	30	30	28
Transfer Payments	$ Billions	Sept.	19	19	17
Farm Income	$ Billions	Sept.	15	15	15
CONSUMER PRICES	1947-'9-100	Oct.	117.7	117.1	114.9
Food	1947-'9-100	Oct.	113.1	113.1	110.8
Clothing	1947-'9-100	Oct.	106.8	106.5	104.6
Housing	1947-'9-100	Oct.	122.8	122.5	120.8
MONEY & CREDIT					
All Demand Deposits*	$ Billions	Sept.	106.7	106.1	106.2
Bank Debits*—g	$ Billions	Sept.	72.2	80.8	71.6
Business Loans Outstanding—c	$ Billions	Sept.	29.7	29.7	24.9
Instalment Credit Extended*	$ Billions	Sept.	3.2	3.4	3.4
Instalment Credit Repaid*	$ Billions	Sept.	3.1	3.1	2.9
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	Sept.	6.2	5.0	5.5
Budget Expenditures	$ Billions	Sept.	4.9	5.9	5.3
Defense Expenditures	$ Billions	Sept.	3.1	3.5	3.6
Surplus (Def) cum from 7/1	$ Billions	Sept.	(1.7)	(0.9)	(4.0)

PRESENT POSITION AND OUTLOOK

trends in 1957; the price level for the year as a whole could average higher than in 1956, yet **the month-to-month trend of prices may well be weak by Spring of the new year.**

Consumers, too, may be awaiting a clearer picture of what Suez means in terms of availability of goods. A flare-up of scare buying in France in recent weeks is reminiscent of what happened in the U.S. in the days after the Korean war started. Certainly, no scare buying by consumers occurred in the U.S. in November because supplies here are ample. But until the Suez situation is clearer, businessmen will be watching developments closely.

* * *

AT THE RETAIL COUNTER — Sales to consumers in October and early November fell behind expectations. Department store sales, in fact, were only barely above a year ago in October, and ran behind a year ago in much of November. Other retail outlets—homefurnishings stores, appliance stores, and automobile dealers—also felt the letdown.

At least **part of the retail trouble could be traced to the unseasonably warm weather,** which has let Christmas sneak up on the shopper without stimulating his buying urge. And **as far as autos are concerned, there has been a real shortage of new models** on dealers' floors, cutting down on the attractiveness of floor displays. Moreover, auto dealers, with only a few new cars to sell, have been refusing to quote much below list prices. The firmness of auto prices at the list price, and the fact that list prices themselves are about 5% higher this year, has meant that the auto buyer is running into prices fully 10% above what he paid for comparable models a year ago. The rise in effective car prices almost alone accounts for the 0.5% increase in the consumer price index in October.

Despite the trend of October and early November, **the trade outlook for Christmas continues very bright.** Retailers in general still hope for a 5% gain over Christmas of 1955.

* * *

INFLATION NOTE — In October, the rise in the consumer price index tipped off cost-of-living rises amounting to about 2 cents an hour for several million workers covered by escalator clauses in wage contracts. Meanwhile, **the basic wage rate is still rising by about one cent an hour every month.** The resulting squeeze on manufacturing costs will doubtless show up in further price rises at the retail level, which in turn will probably tip off another escalator wage increase in

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1956 III Quarter	1956 II Quarter	1956 I Quarter	1955 III Quarter
GROSS NATIONAL PRODUCT	413.8	408.3	403.4	396.8
Personal Consumption	266.8	263.7	261.7	257.8
Private Domestic Invest.	65.1	64.2	63.1	62.3
Net Foreign Investment	1.7	1.7	0.1	0.2
Government Purchases	80.2	78.7	78.5	76.5
Federal	47.2	46.1	46.4	46.6
State & Local	33.0	32.6	32.1	29.9
PERSONAL INCOME	327.0	322.9	317.5	309.6
Tax & Nontax Payments	38.8	38.1	37.3	35.9
Disposable Income	288.2	284.9	280.2	273.8
Consumption Expenditures	266.8	263.7	261.7	257.8
Personal Saving—d	21.4	21.2	18.6	15.9
CORPORATE PRE-TAX PROFITS*	n.a.	42.9	43.7	43.5
Corporate Taxes	n.a.	21.7	22.1	22.0
Corporate Net Profit	n.a.	21.3	21.6	21.5
Dividend Payments	12.3	12.2	11.8	11.0
Retained Earnings	n.a.	9.1	9.8	10.5
PLANT & EQUIPMENT OUTLAYS	36.3	34.5	32.8	29.7

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	Nov. 17	286.5	285.7	280.2
MWS Index—per capita*	1935-'9-100	Nov. 17	220.7	220.1	220.1
Steel Production	% of Capacity	Nov. 24	99.8	100.2	100.1
Auto Production	Thousands	Nov. 24	155	178	181
Paperboard Production	Thousand Tons	Nov. 17	279	283	295
Lumber Production	Thous. Board Ft.	Nov. 17	244	247	223
Electric Power Output*	1947-'49-100	Nov. 17	219.0	219.7	210.7
Freight Carloadings	Thousand Cars	Nov. 17	764	773	772
Engineering Constr. Awards	$ Millions	Nov. 22	358	370	306
Department Store Sales	1947- 9 100	Nov. 17	152	137	142
Demand Deposits—c	$ Billions	Nov. 14	55.8	55.6	56.0
Business Failures	Number	Nov. 15	240	219	214

PRESENT POSITION AND OUTLOOK

December. And the pennies add up: each one-cent addition to the average hourly wage rate now costs manufacturing industries about $300,000,000 a year!

* * *

THE COST OF MONEY — Since about mid-October, the Treasury bill rate has fluctuated around the 3% range, the same rate as is charged by the Federal Reserve on discount loans. In this situation, the Fed is under a constant temptation to raise the discount rate further, to prevent borrowing from the Fed to buy bills. If the inflationary implications of Suez should gather more steam, a further rise in the discount rate would promptly result. (In the money squeeze of mid-1953, the Treasury bill rate never went much above 2%.)

* * *

EXPORT MARKETS — Throughout most of 1956, U.S. exports have run far above 1955, and in many months were the highest on record. Imports have risen, but by much less than exports.

But the international situation is putting a crimp in the export outlook. In England and France, and perhaps in other West European countries, closing of the Suez, plus the costs of military operations, are already draining dollar reserves available for importation of U.S. products. In these circumstances **Europe will have to conserve its import potential for the purpose of buying fuel for the winter.**

*—Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge, for 37 states. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau. (na)—Not available. (r)—Revised. (l)—First Quarter.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1956 Range High	1956 Range Low	1956 Nov. 16	1956 Nov. 23
300 Combined Average	352.4	315.9	333.9	330.4
4 Agricultural Implements	327.1	242.1	265.0	261.7
3 Air Cond. ('53 Cl.—100)	113.8	98.8	104.8	105.8
9 Aircraft ('27 Cl.—100)	1351.7	1064.6	1351.7	1351.7
7 Airlines ('27 Cl.—100)	1117.4	919.0	939.9	919.0
4 Aluminum ('53 Cl.—100)	566.7	337.1	426.0	414.8
6 Amusements	172.3	147.2	148.8	147.2
9 Automobile Accessories	373.7	334.5	355.9	348.8
6 Automobiles	52.2	47.1	49.2	48.1
4 Baking ('26 Cl.—100)	28.7	25.8	25.8	26.1
3 Business Machines	1171.3	831.5	1001.4	1010.3
6 Chemicals	652.3	556.5	568.5	562.5
4 Coal Mining	24.9	19.2	24.5	24.9H
4 Communications	114.3	93.4	96.5	93.4L
9 Construction	140.0	112.3	126.7	124.3
7 Containers	853.7	731.7	769.8	762.2
7 Copper Mining	361.3	283.7	322.5	319.5
2 Dairy Products	122.3	110.5	110.5	110.5
6 Department Stores	93.7	85.3	91.8	90.9
5 Drugs-Eth. ('53 Cl.—100)	198.3	165.0	184.3	177.3
6 Elec. Eqp. ('53 Cl.—100)	222.7	178.9	219.0	219.0
2 Finance Companies	613.7	530.3	560.0	536.2
6 Food Brands	306.1	272.3	275.2	272.3L
3 Food Stores	176.9	157.6	167.2	164.0

(Nov. 14, 1936 Cl.—100)	High	Low	1956 Nov. 16	1956 Nov. 23
100 High Priced Stocks	244.6	209.2	227.4	224.9
100 Low Priced Stocks	411.1	378.9	390.9	387.4
4 Gold Mining	882.7	652.8	667.6	652.8L
4 Investment Trusts	171.2	150.8	158.7	158.7
3 Liquor ('27 Cl.—100)	1076.2	974.7	984.8	984.8
9 Machinery	490.0	370.4	490.0	490.0
3 Mail Order	217.3	180.0	186.6	180.0L
4 Meat Packing	170.7	127.7	143.8	141.1
5 Metal Fabr. ('53 Cl.—100)	213.2	183.3	196.4	194.5
10 Metals, Miscellaneous	464.9	387.5	404.7	387.5L
4 Paper	1312.3	997.3	1039.3	997.3
22 Petroleum	872.3	675.8	796.1	803.1
21 Public Utilities	264.0	246.4	251.4	248.9
7 Railroad Equipment	95.1	84.3	87.0	86.1
20 Railroads	82.0	69.8	71.3	70.6
3 Soft Drinks	544.8	433.7	433.7	433.7
12 Steel & Iron	368.0	283.8	368.0	364.9
4 Sugar	84.0	60.1	84.0	83.4
2 Sulphur	950.2	776.6	785.8	776.6L
11 Television ('27 Cl.—100)	44.5	34.0	34.4	34.0L
5 Textiles	184.4	138.3	140.1	138.3L
3 Tires & Rubber	201.0	169.9	177.2	173.6
5 Tobacco	96.7	86.3	86.3	86.3
2 Variety Stores	298.8	266.9	272.7	266.9L
15 Unclassif'd ('49 Cl.—100)	164.2	144.8	152.3	150.8

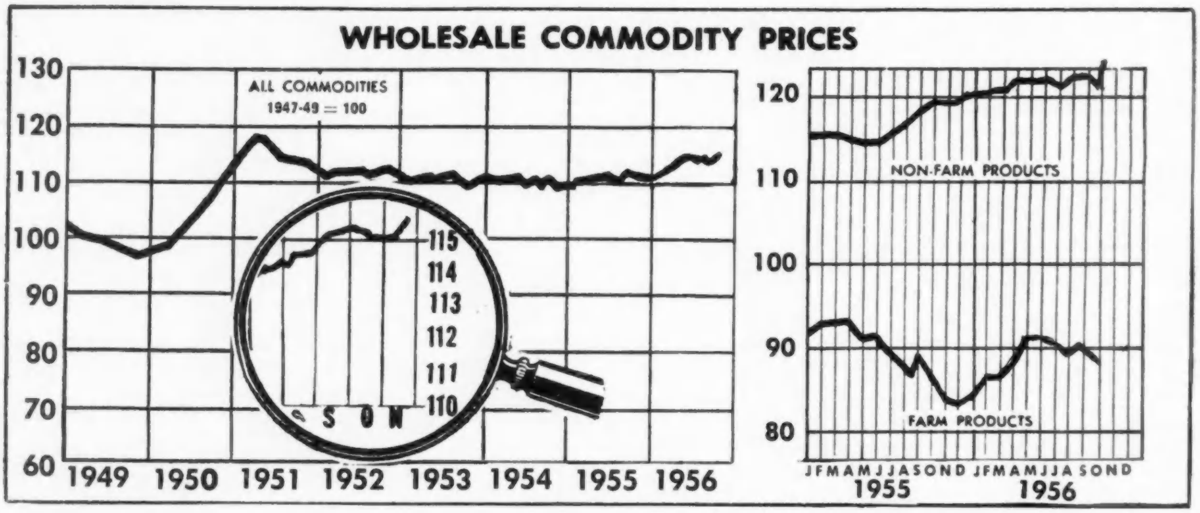
H—New High for 1956. L—New Low for 1956.

Trend of Commodities

SPOT MARKETS — Commodities have continued to rise during November, with the lead taken by materials that are prominent in world trade. Higher shipping costs resulting from the blocking of the vital Suez artery were an important cause of the further advance.

Although most commodities have been strong since the invasion of Egypt on October 27, the gain has not even come close to matching the surge that followed the outbreak of the Korean War. Thus from October 26 to November 23 of this year, the Bureau of Labor Statistics' index of 22 sensitive commodities rose by 4.2%, versus an 11.6% gain in the comparable period of the Korean conflict. If the imbroglio in the Middle East can be brought to an early conclusion, many commodities would quickly seek lower levels.

FUTURES MARKETS — Futures markets were strong in the two weeks ending November 27. The upward movement was broad with most commodities participating and imported items in the lead. World sugar—always a "war baby"— was a feature, as expectations of a tighter supply situation sent buyers rushing to cover requirements. Domestic sugar rose in sympathy although we are not likely to feel any scarcity. In fact, the quota of foreign sugar that may enter this country has just been increased. Wheat was strong early in the period but lost part of its gains as farmers took advantage of prices well above support levels to withdraw grain from the loan and sell it in the open market. This should act as a check on price advances from current levels.



BLS PRICE INDEXES 1947-49—100	Date	Latest Date	2 Wks. Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	Nov. 20	115.7	114.9	111.1	60.2
Farm Products	Nov. 20	87.6	87.7	84.6	51.0
Non-Farm Products	Nov. 20	124.0	123.0	119.2	67.0
22 Basic Commodities	Nov. 23	93.8	91.7	89.0	53.0
9 Foods	Nov. 23	84.1	81.5	75.0	46.5
13 Raw Ind'l. Materials	Nov. 23	101.1	99.3	100.2	58.3
5 Metals	Nov. 23	126.2	124.6	120.5	54.6
4 Textiles	Nov. 23	85.2	82.7	81.4	56.3

MWS SPOT PRICE INDEX

14 RAW MATERIALS
1923-1925 AVERAGE—100

AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

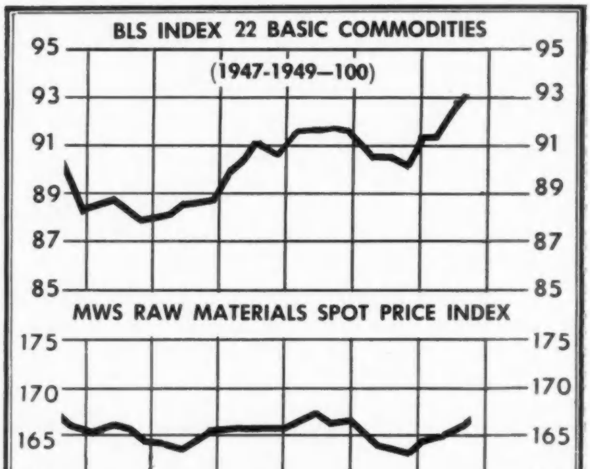
	1956	1955	1953	1951	1945	1941
High of Year	169.8	164.7	162.2	215.4	98.9	85.7
Low of Year	163.1	153.6	147.9	176.4	96.7	74.3
Close of Year		164.7	152.1	180.8	98.5	83.5

DOW-JONES FUTURES INDEX

12 COMMODITIES

AVERAGE 1924-1926—100

	1956	1955	1953	1951	1945	1941
High of Year	166.7	173.6	166.5	214.5	106.4	84.6
Low of Year	149.8	150.7	153.8	174.8	93.9	55.5
Close of Year		153.1	166.8	189.4	105.9	84.1



Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject to the following conditions:

1. Give all necessary facts, but brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Continental Can Co.

"I am a long-time subscriber to your valued magazine and would appreciate receiving recent data on Continental Can Co." *C. E., Detroit, Michigan*

Continental Can Co. is a leading and growing manufacturer of metal containers. It also makes paper containers and other paper products, fiber drums, crown caps, plastic products, can-making and can-closing machinery, etc. The company has broadened its lines in recent years through acquisitions of various companies. Recent acquisitions were Hazel-Atlas Glass Co. and Robert Gair Co. The latter is a producer of paperboard, cartons and containers.

Sales and earnings of Continental Can again set new records in the first nine months with sales at a peak of $590,276,000 for the nine months ended September 30, 1956, on which net income amounted to $25,854,000.

After deducting preferred dividends, the income for the nine months was equivalent to $3.27 per share on 7,775,048 common shares outstanding at September 30, 1956, compared with $2.69 earned per share during the same period in 1955 on 7,328,302 common shares outstanding September 30, 1955, after adjusting for a 100% common stock distribution on February 15, 1956. On this same basis it also compares with $3.22 per share for the full calendar year ending December 31, 1955.

Before taxes, the income for the first nine months, amounted to $53,928,000 compared with $42,016,229 a year earlier.

Net sales for the period represented an increase of 15.6% from the total of $510,413,847 for the same nine months of 1955, while consolidated net income after all charges was 28.3% higher than the net income of $20,149,229 for the nine-months period in 1955. Depreciation and depletion amounted to $11,388,000 against $9,755,100 in the first nine months of 1955.

For the September quarter, net income amounted to $11,361,000 on sales of $234,333,000, compared with $9,859,834 earned on $204,366,248 of sales for the third quarter last year. Per share earnings for the quarter were $1.44 in 1956 and $1.32 in 1955 (adjusted for 100% common stock distribution on February 15, 1956).

All the above figures exclude the sales and income of Hazel Atlas Glass Co., net assets of which were acquired September 13, 1956 in exchange for 999,140 shares of common stock, not included in the outstanding shares listed above.

As part of agreement under which stockholders approved merger of Robert Gair, company's authorized common was increased from 10 million $20 par shares to 15 million $10 par shares and authorization was given for creation of 235,823 new $100 par second preferred shares and elimination of present authorized second preferred stock, none of which was outstanding. New preferred and part of additional common were used to effect the merger.

The Justice Department has filed an antitrust suit against Continental Can in Federal District Court, New York, alleging that acquisition of Robert Gair violates anti-merger provisions of Clayton Act. The Government claims merger will eliminate actual and potential competition between the two companies in production and sale of paperboard products, paper containers and wrapping, giving Continental a "decisive competitive advantage over smaller single-line competitors." The company is opposing the Government anti-trust suit.

Current quarterly dividend is 45 cents per share. Prospects continue favorable.

Tung-Sol Electric, Inc.

"Please indicate the products manufactured by Tung-Sol Electric, Inc. and please inform me as to recent operations of the company and dividend payments." *M. A., Burlington, Vt.*

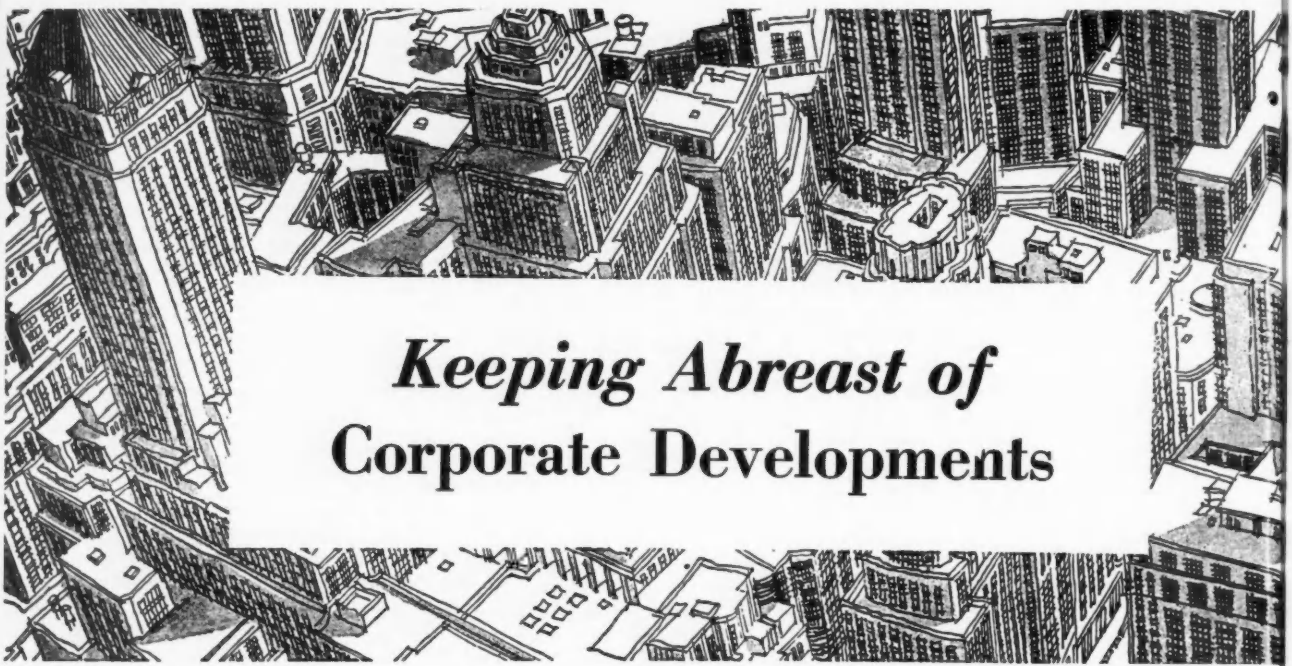
Tung-Sol Electric, Inc. manufactures a variety of electric and electronic products, including tubes, cathode ray (TV picture) tubes, vision-aid sealed beam headlights, miniature incandescent lamps, and flashers for automobile directional signals. Plants are at Newark, Bloomfield, East Orange and Washington, N. J; and at Weatherly, Hazelton and Boyertown, Pa.

Consolidated net sales of Tung-Sol Electric, for the 39 weeks ended September 30, 1956, amounted to $39,147,270, compared with $36,051,818 for the comparable period of 1955.

Net earnings for the latest period amounted to $2,060,810, equal to $2.88 per share after preferred dividends on the 661,462 shares

(*Please turn to page* 344)

The page opens with a drawing of a city skyline (image 1); the title is printed in a white box in the middle of it.



Keeping Abreast of Corporate Developments

Sinclair Oil Corp. has called for redemption all outstanding 3.25% convertible subordinated debentures due January 15, 1983. The debentures will be redeemed at 102¾ plus interest accrued to January 3, 1957. Interest will cease to accrue as of that date. Sinclair has noted that the debentures may be converted into common stock of the company at the conversion price of $44 per share. Debentures may be converted until but not after the close of business January 3. As of November 20, there were $11,848,800 principal amount of these debentures still outstanding. The debentures were originally issued in the amount of $101,758,900 in January of 1953.

Ford Motor Co., which broke first from the post in the 1957 production derby, reports customer demand for Ford cars has exceeded the division's "most optimistic expectations and the increase in overtime is needed, not only to meet this demand, but to enable dealers to build their inventories." Sales during a 10-day period in November were 20.4% above sales during a comparable period in October. December production, with the overtime increase, "represents just about the highest practical capacity that could be expected from our present facilities." It could be that 1957 will be the year in which Ford wrests car leadership from Chevrolet.

Cosden Petroleum Corp. reports for the quarter ended October 31 net profit of $1,237,000, equal to 55 cents a share, compared with $1,086,000, or 48 cents a share, in the like 1955 period. For the six months to October 31 net was equal to $1.28 a share, compared with 97 cents in the similar six months a year earlier. Indications are earnings for the last two quarters will run as much or more than earnings for the first two quarters. Closing of the Suez Canal already has resulted in a volume of inquiries for domestic crude to be processed in Western European refineries. Foreign demand should halt the recent domestic weakness in crude prices.

Piasecki Aircraft Corp. is acquiring the aircraft division properties of **Bellanca Corp.** at New Castle, Del., for $1,325,000. Under the agreement Piasecki gets a 330-acre property, including a manufacturing plant, machinery and other physical assets of the New Castle unit. The $1,325,000 price tag includes cash paid by Piasecki and certain mortgages of Bellanca which Piasecki is taking over. It also is understood that Piasecki is buying inventories of the New Castle plant, for which an added sum will be paid.

Esquire, Inc. reports for the six months to September 30 a net loss of $67,750. For the like period of 1955 the publishing company registered a net profit of $131,000, or 29 cents a share.

International Business Machines Corp. will develop a "super computer" for the Atomic Energy Commision laboratory at Los Alamos, N. H. It will be geared to perform 100 billion arithmetical operations in one day.

General Electric Co. has sold the alkyd resin business formerly conducted at Schenectady, N. Y., to **Archer-Daniels-Midland Co.** GE will continue to turn out alkyd resins, used in protective coatings, at Anaheim, Calif., and Toronto.

Schenley Industries, Inc. reported lower sales for the fiscal year ended August 31, but higher earnings. Sales dropped to $401,162,000 from $411,732,000 in fiiscal 1955. Yet earnings climbed to $8,439,000, equal to $1.93 a share. This compares with $6,117,000, or $1.40 a share, a year earlier. The company noted that $975,000, or 22 cents a share, of the 1956 net was accounted for by a change in bookkeeping practices. Louis Rosenstiel, chairman of the board, explained that the company had been following an ultra-conservative policy on setting aside reserves

(Please turn to page 364)

Royal McBee unlocks the handcuffs of BUSINESS COMMUNICATIONS

Management couldn't start a production line rolling; Sales couldn't write an order, confirm one, or relay it to Production without COMMUNICATIONS.

Hastening the word of business is Royal McBee's prime concern. That's why Royal manufactures more and better typewriters than any other company in the world. It's the reason McBee continues to create the business forms and business methods which spark economies in companies of all sizes—large and small, in this country and overseas. And it's why now Royal McBee is on the threshold of applying new and startling electronic solutions to many of today's problems in data-processing.

It's always advantageous to remember that when the speed of a word means business, Royal McBee has a fast and economic answer.

SUMMARY OF RESULTS

Three Months Ended October 31st	1956	1955
Income from Sales of Products, Services, etc.	$26,174,080	$22,782,404
Net Profit after Depreciation but before Federal Taxes on Income	$ 3,298,149	$ 3,132,697
Provision for Federal Taxes on Income	1,693,013	1,565,360
Net Profit after Depreciation and Provision for Federal Taxes on Income	$ 1,605,136	$ 1,567,337
*Earned per Share—Common Stock	$ .99	$ .96**

*Computed on 1,535,074 shares currently outstanding.

**Includes non-recurring income equal to 14¢ per common share resulting from an award in litigation.

(Subject to year-end adjustments and audit)

ROYAL McBEE CORPORATION

Westchester Avenue, Port Chester, New York

WHAT MAKES CHESSIE

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Ches

IE AILROAD GROW? *One of a series telling what Chesapeake and Ohio is doing to make this a bigger, better railroad.*

Who owns Chessie?

all the people who share ownership of hesapeake and Ohio were to attend an an- al meeting, there is only one college stadium the country that could seat them – 90,482 areholders with an average of 88 shares. mong all U. S. railroads, C&O is second in mber of stockholders.

&O common is regarded by many as an eirloom" stock, with family holdings handed own from generation to generation. Forty ercent of the stockholders are women – many them widows – and many children are own-

ports on Chessie's growth are presented to the 650 &O shareholders who attended Annual Meeting.

ers, too. One reason it is so highly thought of is that C&O has paid a dividend in every year but two since 1899. The annual rate is ~~$3.50~~ Just increased to $4 per share.

Those who know the railroad best – the men and women who work for it – express their confidence by ownership of more than 300,000 shares. They know their stock is backed by a billion dollars in assets – half of it new facilities added during the last ten years. Principal items in this year's $100 million expansion program are:

– 222 new locomotives

– 13,000 new freight cars on order

– New classification yards, terminals, new communication facilities – $20 million

– New $8 million bulk cargo pier and $3 million coal pier at Newport News, Virginia

– Plant tracks costing $3 million to serve new industries

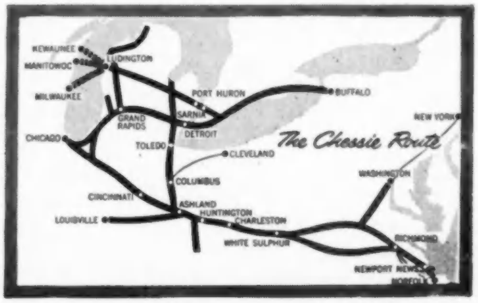
– Expanded car-building and locomotive servicing facilities – $6 million

Chessie's railroad is *growing* and *going*, not for the sake of bigness but to provide the very best in transportation for its customers.

The 1957 Chessie calendar features a reproduction in full color of this illustration. If you would like one—as long as the supply lasts—just write to:

Chesapeake and Ohio Railway

3807 TERMINAL TOWER, CLEVELAND 1, OHIO



Answers to Inquiries

(*Continued from page* 339)

currently outstanding. This compares with net earnings of $2,286,511, or $3.29 per share on the 644,587 common shares outstanding at the close of the 39 weeks ended October 1, 1955.

Both sales and earnings for the latest 13-week period improved from the comparable 1955 period. For the first three quarters of 1956 sales improved from last year, although earnings were slightly lower.

The company expects capital expenditures for 1956 to total nearly $4 million. Tung-Sol is implementing its program of expanding and improving production facilities to keep abreast of the continually growing demand.

The quarterly dividend on the common stock was recently increased from 30 cents to 35 cents a share. An extra dividend of 5% on the common stock was also declared, payable late this year. Payment of extra dividend in stock rather than cash enables the company to utilize its cash in excess of dividend requirements for capital expenditures to further its growth. —END

Global Economic Impact of the Suez Crisis

(*Continued from page* 313)

ity in the Arab world may well have come to an end for the time being.

Arms "Gift" to Israel

This would, of course, be a tremendous boon to the economy of Israel, which has been strained to the breaking point in the last few years as a result of the Arab-Israeli arms race. Israel claims to have captured more usable military equipment in the Sinai Peninsula than it was able to buy from all foreign sources combined since the arms race started in 1954. If the consequence of its foray into Egypt therefore is a lowering of the military budget, it might give Israel a chance to redress its untenable balance of trade, resulting from the fact that it imports four times as much as it exports.

Israel has also begun to open the port of Elath on the Gulf of Aqaba for foreign shipping. This port had been blocked since 1949 by Egypt, which controls access to the gulf. If it should now remain free, it will give Israel an opportunity to expand greatly its trade with the Far East. Japan already has indicated interest in buying most of Israel's potash output, which is situated near Elath. Burma also has expressed interest in more trade with Israel. So far, Israel's lack of access either to the Gulf of Aqaba or the Suez Canal has blocked all such deals. Another important aspect of freeing the Gulf of Aqaba from exclusive Egyptian control lies in the possibility of a major oil pipeline from Elath to the Mediterranean. Since Israel is the only country, besides Egypt, which borders on both the Red Sea and the Mediterranean, such a pipeline would fulfill approximately the same function for oil as the Suez Canal does for shipping. The Israeli Government currently is making a detailed study of the project and claims to have the active interest of some European oil companies.

This may well refer to French interests since the French Minister of Trade and Industry has endorsed the project in principle on several occasions since the nationalization of the Suez Canal. While the Arab League oil countries are unlikely to let their oil be shipped through Israel until a general settlement of the Arab-Israeli conflict has been reached, Iran and Kuwait would have no objection against this means of reducing their dependence on the Suez Canal.

Europe Faces Oil Pinch

Now let us look at what the Middle East war has done to the economy of Europe. Here again, the major role is played by oil. In fact, Europe's dependence on Middle East oil is the most important cause underlying the Middle East conflict. Until November 1, Europe received over 75% of its total oil needs from the Middle East. Now this has been reduced to about 45%. Since Europe produces about 10% of its oil locally and imports regularly about 15% from the Western Hemisphere, this will leave it with an oil shortage equivalent to 30% of its total consumption.

A shortage of this magnitude is bound to cause a severe slowdown of the entire economy, if sustained. Most European countries have enough stock on hand to get by with only minor cutbacks until the end of December. However, after that the pinch will be felt in every sector of the economy until Middle East oil again becomes available in sufficient quantities. In the meantime, only increased oil shipments from the United States, the only area outside the Middle East which has a large reserve capacity, can prevent a serious economic debacle.

There are two problems in connection with this. One is the dollar cost to Europe of oil imports from the U.S. and the other is the global coordination of tanker routing, storage space and available oil production. The dollar cost arises from the fact that the bulk of Europe's oil imports is normally paid in sterling or French francs. But if the purchase of 600,000 to 800,000 barrels daily of these imports is now shifted to the U.S., where it all must be paid in dollars, it will mean a daily dollar outlay of about $1 million. To this must be added the cost of higher tanker rates and of transporting U.S. oil by railway and truck to loading ports since our present pipeline facilities are insufficient to cope with a production increase of this magnitude. Altogether, Western Europe would therefore have to spend close to $2 million per day to cover its loss of Middle East oil. This is not a gigantic figure for the area's 16 nations and there is no doubt that they are able to pay it out, at least for the next three or four months. By that time, barring another outbreak of violence, the flow through the Iraqui pipelines and the Suez Canal should be, at least, partially restored.

Britain and France alone, however, are in a much less favorable dollar position. Both these countries have heavy expenditures in connection with the action against Egypt, which are a considerable additional strain on their respective economies, already working at full capacity. Furthermore, the two countries together own about one-third of the Middle East's oil output and now are losing sizable dollar earnings as the result of the cutback in the area's oil exports. They also depend more than most other European countries on commodities normally shipped

(*Please turn to page* 348)

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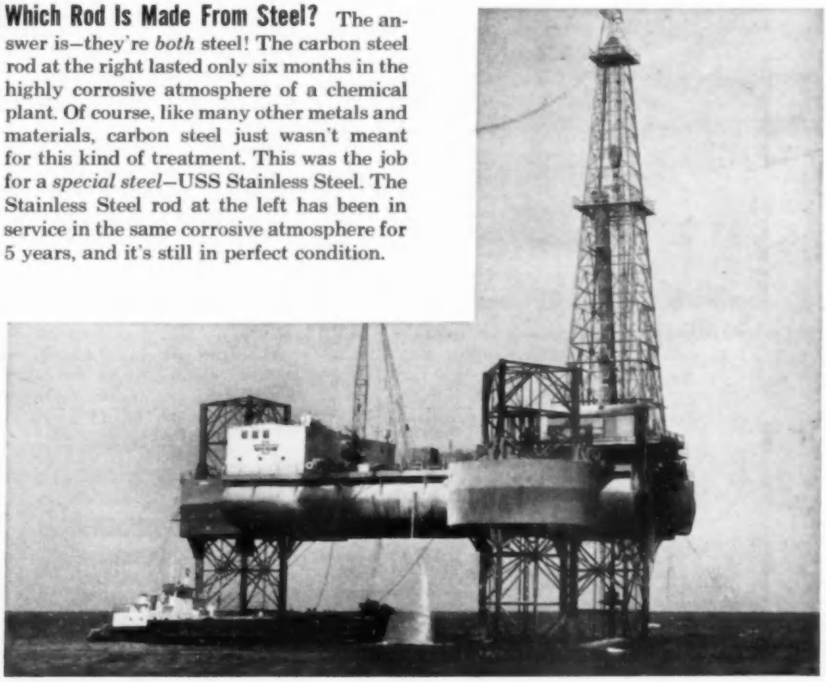

The Steel Scorpion. This is a mobile drilling platform designed for off-shore oil exploration. It was christened the "Scorpion," and is now busily probing the bottom of the Gulf of Mexico. The all-steel structure accommodates half a hundred men, and it has over half an acre of deck space. Oil Well Supply Division of United States Steel designed and supplied all the drilling equipment.

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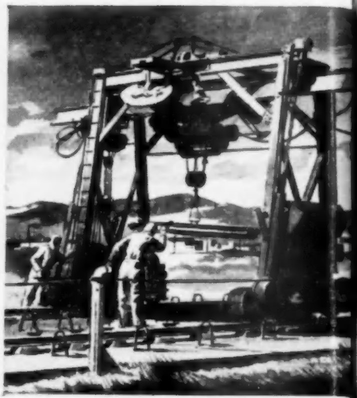
PUTTING THE ATOM TO WORK: *A Progress Report from General Electri*

Prior to 1940 Scientists at the General Electric Research Laboratory were discovering facts about the structure of the atom that contributed to the separation of U-235 from natural uranium in 1940.

1942-45 General Electric developed and produced complex power-supply apparatus and control and instrumentation for the vast *Manhattan District* project that made the first atom bombs for the U.S.



1946 Since the end of World War General Electric has been operating, the government, the giant Hanford Atom Works in Washington State, produci plutonium for the nation's defense eff

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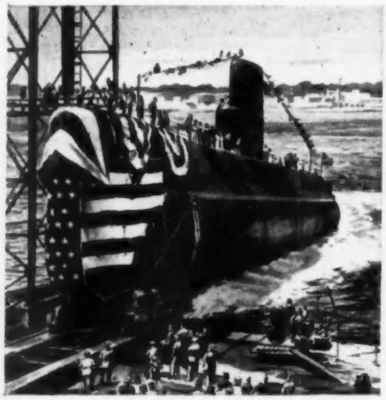
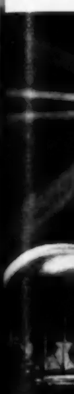


1950 General Electric was assigned the job of developing an atomic power plant at the Knolls Laboratory for the U.S. Navy submarine *Seawolf*. The *Seawolf* was launched in 1955 for final outfitting.

1951 Work on the development of a nuclear propulsion system for aircraft was begun by General Electric for the government at Evendale, O., and is continuing here and, more recently, at Idaho Falls, Id.

1955 After Congress opened atom development to private industry, Gene Electric established a department that designing, developing, manufacturing a marketing atomic reactors and equipme



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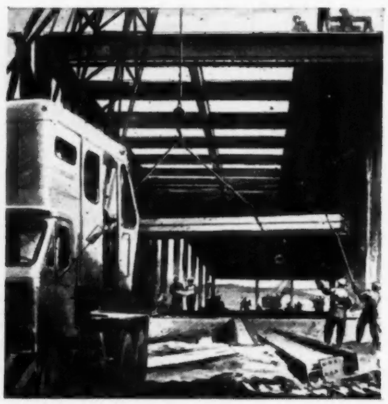
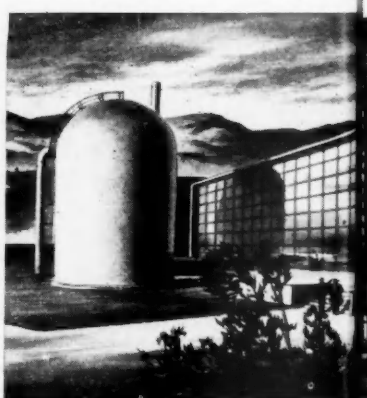
1956 In addition to domestic orders, General Electric — through the International General Electric Co. — announced sales of an atomic research reactor for Spain and a power reactor for Latin America.



1956 Construction began on the multi-million-dollar General Electric Vallecitos Atomic Laboratory in California. It is dedicated to developing civilian uses of atomic energy, and will be completed in 1957.



1957 A G-E experimental reactor w help bring about 5,000 kw. of atomic pow to the San Francisco area. Steam from t reactor will be furnished Pacific Gas Electric, which will generate the pow

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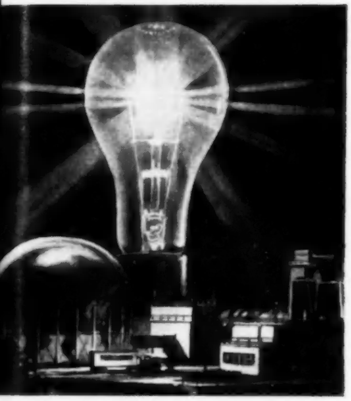
946 General Electric, under contract to A.E.C., has operated the Knolls Atomic wer Laboratory in Schenectady, N. Y., ce 1946, where research into applica- ns of atomic energy is being conducted.



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55 America's first commercially dis- uted atomic electricity came from the totype reactor G. E. built for the *Sea- lf*. The contract for Canada's first atomic tion was awarded to Canadian G. E.

actor nic po from c Gas e pow

60 The Chicago area is scheduled to 180,000 kw. of atomic electricity from world's largest all-nuclear power plant, ng built by G. E. for Commonwealth ison and the Nuclear Power Group, Inc.

What General Electric is doing to help bring America atomic-electric power

New atomic laboratory will open next year; world's largest all-nuclear power plant to operate in 1960

Two years ago, Congress opened the development of the atom to private industry. In that short time, America's businesses, working with the government, have made significant progress toward practical atomic electricity while continuing needed defense work for our country.

At General Electric, major contributions to the defense effort are, of course, a vital part of the company's atomic operation. This work requires an unusually high number of our scientists and engineers — about 2,250 of them plus thousands of other skilled people. But since the Atomic Energy Act of 1954, we also have made major investments in both manpower and facilities to put the atom to work in electric-power production and other civilian uses.

Currently, one of the company's major projects is the design and construction of the world's largest all-nuclear power plant—Commonwealth Edison's Dresden Station near Chicago. This 180,000-kw. plant is scheduled for regular operation by the end of 1960.

Providing the "tools"

To help solve the technological problems, General Electric is taking a long-term risk by investing in a new multimillion-dollar atomic laboratory near Pleasanton, Cal. At this laboratory, an experimental boiling-water reactor will be in use in developing atomic reactors for power plants such as the big Chicago station.

Next year, this experimental reactor will help bring about 5,000 kw. of atomic electricity to the San Francisco area. Steam from the reactor will be furnished the Pacific Gas & Electric Company, which will then generate the power.

Another major investment in atomic facilities is being made in San Jose, 20 miles from the new laboratory. Here will be the headquarters of General Electric's civilian atomic business — plant and equipment for engineering, manufacturing and marketing power, research and test reactors, fuel elements, control systems and other components.

Pioneer fields demand risk taking

These and other commitments are being made with the realization that atomic energy is a pioneer field calling for ingenuity, boldness and financial risk taking with little prospect of a profitable return for many years to come. Today, the buyer of atomic equipment knows he is not buying the ultimate in atomic power development. And the seller, or manufacturer, pioneers by risking substantial amounts of money to do *now* what has to be done to open a new industry with future business opportunities for many companies, large and small.

As we see it, progress toward practical atomic electricity will continue only as private businesses are encouraged to continue such risk taking. The support of an informed public—and its representatives in government — is needed now more than ever before, so that America will have a competitive atomic industry that can furnish plentiful, economical power to all.

Progress Is Our Most Important Product

GENERAL ELECTRIC

Global Economic Impact of the Suez Crisis

(*Continued from page* 344)

through the Suez Canal and Britain also ships the bulk of her exports via Suez. Thus the combination of the blocking of the canal, the higher freight rates, the world shipping shortage and the rise in the price of some commodities, together with the loss of oil earnings in the Middle East and the need to buy more oil in the U.S., are a serious strain on the gold and dollar reserves of Britain and France, and could well undermine the economies of these two countries.

Need for Global Coordination of Shipments

The above estimate of Europe's oil purchases in the U.S. is based on the assumption that prices remain fairly stable and that tanker space, the major bottleneck in supplying Europe, is allocated as efficiently as possible and not on the basis of scores of companies having to outbid each other for it. However, this can be done only if the U.S. Government gives our major oil companies permission to ignore the antitrust law temporarily and works out a global system of oil and tanker allocation.

This arrangement had been successful in overcoming the problems created by the sudden stoppage of Iranian oil shipments in 1951 and it was therefore called into being last August when the possibility of boycotting the Suez Canal was under consideration. However, since the beginning of the attack on Egypt the Middle East Emergency Committee of the U.S. oil industry has not been allowed to meet a single time. In the meantime, precious tanker space is wasted by companies which send their tankers to the U.S. Gulf Coast in the hope of obtaining oil, but find that they must wait around for days before they can get them loaded up. Furthermore, many foreign companies had to agree to pay premium prices for some types of refined oil or take a barrel of gasoline, of which there is currently an oversupply in the U.S., with each barrel of fuel oil. Fuel oil prices also have edged up, both for foreign and domestic purchasers. This situation will undoubtedly get worse, until and unless our Government reactivates the Middle East Emergency Committee, which has worked out detailed plans to cope with the situation.

U.S. Stand Hurting Europe

The reason why we have not done so already is political. We do not wish to appear as helping Britain and France while both these countries are in violation of United Nations resolutions. In the meantime, however, all of Europe is suffering from this lack of coordination since the normal supply-and-demand forces have been totally thrown out of gear by military events. Even this country may well feel the pinch of higher oil prices if unregulated bidding for our oil output is allowed to continue.

Thus, the brief outburst of the long-smoldering dispute between Nasser and the West has brought into being forces which will affect the pocketbook of nearly every one in the world. Whether the expense will have been worth while remains to be seen. But if the dramatic intervention in Egypt has the effect of forcing the world to devote all its energy and brain power to finding a permanent solution to the Middle East's manyfold troubles, the money will have been well spent.

—END

Which American Oils Can Supply Europe's Needs Today?

(*Continued from page* 318)

East through the so-called American-owned Tapline had been authorized only on condition that the supplies were not shipped to the British and French. In the event Washington should order a stepup in exports to Europe, some boost in receipts from the Middle East might be approved, assuming, of course, that facilities were available for transporting the oil.

Even at best, oil experts feel that demand in domestic markets would prove more than ample to absorb a reduced voulme remaining for consumers in this country. Such a situation would favor stiffening in prices—especially if colder-than-normal winter weather develops. State authorities have moved cautiously to permit increased output and some further relaxation in controls is anticipated in spite of a general disposition to avoid removal of all limits.

Extent of the problem from a statistical standpoint may be appreciated by considering the fact that Western European oil imports from the Middle East had been running at slightly less than 2 million barrels a day, while shipments from that area to this country had been cut back to about 300,000 barrels every 24 hours. It is thought that supplies from Kuwait shipped around the Cape of Good Hope can be increased moderately, although the greater shipment time required will mean a sharp drop in receipts. Accordingly, almost half of Britain's normal consumption must be supplied from the Western Hemisphere to maintain full requirements. American authorities insist that tanker fleets are inadequate to meet such a demand even if the fuel were transported from the Southwest to Atlantic ports for overseas destinations.

In connection with the current crisis, it is worth noting that readers of THE MAGAZINE had a comprehensive understanding of the situation provided by an article entitled "A Realistic Reappraisal of the Oils" in the September 1 issue, which outlined in advance many of the consequences that have come to pass with the closure of the Suez route.

The Washington Angle

Turning now to a closer look at possible repercussions in the domestic picture, one finds an unexpected benefit for the oil industry right in Washington. It seems curious that the emergency should develop just as hearings before a Congressional committee on depletion allowances had been scheduled to open. The recurrent agitation against the oil industry's tax benefits arises from what other industries regard as a generous $27\frac{1}{2}\%$ exemption from taxes as compensation for depletion of reserves. Most extractive industries receive consideration in lesser degree. In the present emergency it seems doubtful whether Congress would be as willing to hamper oil producers as might have been the case if the Middle East crisis had been deferred.

Independent producers have been campaigning for tighter re-

strictions on imports from the Middle East. They have contended that supplies from abroad have contributed to excessive inventories in the United States and to a virtual ceiling on prices for crude paid by integrated companies. In any event, no important boost in crude oil has taken place since June, 1953. Developments abroad have played into the hands of this group, however, tending to restrict imports and to strengthen demand from overseas. Small independents would be prime beneficiaries of higher crude quotations.

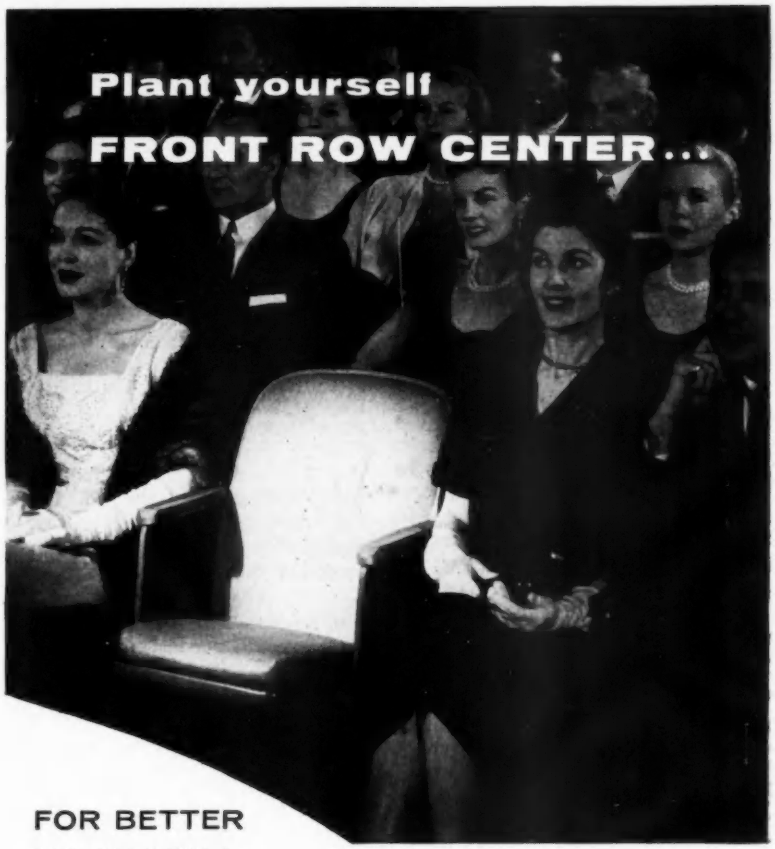
Domestic producers would benefit as well if corresponding advances could be effected on refined products. Some small increases already have been put into effect on heating and industrial oils. In other ways substantial improvement can be anticipated. Refiners have been running facilities at a higher rate than required for normal marketing operations, necessitating accumulation of inventories of refined products. With the movement of increased supplies of crude abroad, a better balance in refining operations can be achieved, thereby effecting operating economies.

Domestic Producers to Benefit

Relaxation of proration restrictions would provide a distinct advantage for producing organizations, and it is assumed that profits would gain more rapidly in proportion to percentage increases in output. Representative companies ranked as major producers standing to benefit from enlarged output (possibly at higher crude prices) include companies such as Amerada, Honolulu Oil, Monterey, Seaboard of Delaware, Texas Gulf Producing and Texas Pacific Coal & Oil.

In addition, there are a number of integrated companies whose margins might be expected to widen, especially if heating, residual and lubricating oils were advanced along with gasoline. This group includes Cities Service, Phillips Petroleum, Ohio Oil, Pure Oil, Shamrock Oil & Gas, Skelly, Standard of Indiana, Sinclair and Tidewater Oil.

So-called international oils would be adversely affected by a prolonged disruption of operations or by an international incident that threatened control of the properties. Companies having



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large interests in the Middle East probably would be seriously affected marketwise chiefly for psychological reasons. Current earnings apparently would be cut back sharply.

It should be noted in a realistic appraisal of companies having large Middle East interests, however, that the investing public has taken into account risks involved and has tended to appraise foreign earnings at lower ratios than domestic income. Concessions in Kuwait or in Saudi Arabia, etc., were obtained for comparatively modest investments. Expenditures on equipment and transportation facilities also have been small in relation to returns already received. Without attempting to minimize the significance of a possible loss of properties beyond the Suez, especially so far as current earnings are concerned, it must be said that the impact on actual assets readily could be exaggerated.

Prolongation of the emergency through the winter could have a salutary effect on domestic oils psychologically as well as in dollars and cents. The appearance of a strong overseas demand would tend to curb promotional efforts in domestic marketing programs that contribute to price competition and narrowing profit margins. If the emergency stifles pressure from many sources to trim the industry's depletion allowance benefits in new tax legislation, oil-company officials will be thankful. All in all, holders of domestic oil shares have received an unexpected lift. END

Broadening Horizons for The First National City Bank

(*Continued from page* 327)

Grand Central area. Today it has 75 local offices, with representation in each one of the five boroughs of New York City.

Following the Customers

And only last month City Bank well may have set the stage for vast changes in the banking field. The bank proposes, like the merchandisers, to expand into Suburbia.

Until this year it was prevented from moving beyond the limits of New York City. But the Bank Holding Company Act, passed by Congress last May, should enable City Bank and other urban banks around the country to go to their customers who have moved out of the cities. This legislation has put bank holding companies under regulation of the Federal Reserve Board and paved the way to ground rules for the formation of new companies. A bank holding company may, with the consent of the Fed, acquire banks anywhere in a state.

Thus, state-wide branch-banking beckons to the big banks of New York City and other metropolitan centers. City Bank, which has set the pace for the field in innumerable instances, has moved fast on this front. It disclosed last month that it planned, in conjunction with The County Trust Co. of White Plains, to form a bank holding company.

White Plains is the county seat of Westchester, which is at the northern border of Greater New York. It probably is the "richest" county in the nation and serves as the Big City's "bedroom," although it has acquired considerable manufacturing and commercial facilities in the post-war decade. County Trust operates 39 offices in this flourishing suburban region.

Shareholders of the Westchester bank and City Bank must approve the plan. The application, made meanwhile to the Fed by the two banking institutions, asks permission to organize a holding company which would, through an exchange of shares, acquire ownership of The First National City Bank of New York, its trust affiliate (City Bank Farmers Trust Co.) and The County Trust Co. If the regulatory authorities and the shareholders approve, one share of First New York Corp., as the holding company would be known, would be exchanged for one share of County Trust and 2¼ shares of First New York for each share of First National City Bank.

This merger of the interests of the two banks would add the nearly $400 million of resources of the Westchester bank to the nearly $7 billion of the nation's third largest bank.

If City Bank gets the green light, the country may witness a new age in banking. For it is certain that other banks clear across the country would seek permission to expand their present geographic limitations. Interest in the City Bank proposal is widespread.

Not that every bank will follow the City Bank pattern, as has already been made clear by John J. McCloy, chairman of Chase Manhattan Bank. Mr. McCloy's bank, No. 2 in the nation for size, would like to see legislation that would make New York City, Westchester and Nassau County (adjoining New York City on the Long Island side) made one district. Mr. McCloy views this sprawling area as "the true economic boundaries of New York City."

Mr. McCloy feels that the path chosen by City Bank is not what he has in mind for his Chase Manhattan, which would prefer to operate as a bank with branches.

Harriman Questions Plan

New York's Governor, Averell Harriman, has joined the banking debate with a warning that approval by the Fed of the City Bank plan might open the way to "concentration of banking assets in the hands of a few institutions." Mr. Harriman has said that this is "a particularly inappropriate time" for the holding company proposal in the light of the fact that a new joint legislative committee was in process of studying wholesale revision of the New York State Banking Law, including its provisions on banking districts.

Already, there is concern lest the move by banks to expand result in the disappearance of the small independent banks around the country.

Formation of a holding company at a time when revision of the state banking code is under consideration is not inappropriate, in the view of Howard C. Sheperd, chairman of the board of City Bank. He says:

"On the contrary, the plan offers advantages and future prospects which would not be achieved merely through modification of the state law on branch banking. Whatever direction revision of the law may take, the merits of the holding company organization will still exist."

The holding company proposed by City Bank and The County Trust Co. does not "sidestep" or contravene the New York state

law confining branch banking to a single district, he contends. Rather, it represents a different concept and approach to banking procedure which is neither new nor untried and there are several bank holding companies in New York state, operating successfully with benefit to the communities concerned.

About the Trust Company

A word here is in order about City Bank Farmers Trust Co., whose stock is held in trust for the benefit of the stockholders of City Bank. It is the oldest trust company and one of the largest, administering securities and other properties of multi-billion-dollar value. Additional securities and properties roughly three times that value are held in custodian and safekeeping accounts.

City Bank has achieved pre-eminence in its field through imagination and enterprise in the development of new kinds of banking services. Thus, it moved into the field of personal credit (a lucrative segment of a bank's business) as far back as 1928. Indeed, it was the first commercial bank to establish a personal credit department. Through its neighborhood branch network, this department provides small loans for wage-earners, professional people, civil-service workers and small business folk.

Since 1928, some 8,250,000 of these instalment loans have been made for a total of about $3,750,000,000. In addition, small businesses use the bank's instalment-loan facilities to finance retail sales of major household appliances and similar consumer goods. In good times and bad, these small loans, to people and businesses, have been fully justified on the basis of the repayment record.

From the earnings standpoint, it is worth noting that many old loans, now maturing or nearing maturity, will be replaced by loans that give banks a higher return. Loan rates, of course, have been rising steadily, a consideration that we shall discuss at greater length presently.

Loans to Corporations

Far and away, the largest segment of the bank's loans, in dollar amount, of course, consists of those made to domestic corporations. For years, the bank has

What's behind the amazing growth of chemical stocks?

Few common stocks have treated their owners as handsomely as the chemicals, says THE EXCHANGE Magazine in its December 1956 issue. To illustrate this fact, the editors selected 15 chemical stocks, determined the cost of 100 shares at the time each was first traded on The New York Stock Exchange, and figured the current market value. The results are amazing. Some have gained over 1000%; many well over 500%. And, as THE EXCHANGE Magazine points out, every one was listed after 1920. This provocative article discloses the big reason why the chemical stocks have performed so well, too.

Turning masses of financial information into fast-reading facts and figures is an editorial trademark of THE EXCHANGE Magazine—a big reason why it's a regular reading habit with so many investors and brokers. Here's a preview of a few of the important articles subscribers will find for December.

A broad look at the Big Board: In *An Impressive Picture* there's a new analysis of companies listed on The New York Stock Exchange. This article includes a table showing such facts as the total assets, sales, revenues, Federal Income Taxes, dividend payments and ratios plus employee figures for 1,071 listed companies in 27 industrial classifications. It's a revealing study, the first of its kind.

Why talk about price-times-earnings? This is what Shelby Collum Davis, noted security analyst, asks in *What Price Earnings?* While price-times-earnings is an established qualitative measure for the investor, Mr. Davis contends it is by no means an infallible way to judge stocks. He discusses factors which tend to encourage investments in *high* price-times-earnings stocks. This thoughtful essay is "must" reading in today's dynamic economy.

These articles represent only a sample of THE EXCHANGE Magazine's wide coverage of investment activity. Every issue is packed with information – written by the nation's top corporation executives, analysts and financial writers.

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handled this business through its so-called domestic division, organized on a territorial basis. For the past two years, a special industries group has functioned within the division. This group includes specialists who devote themselves exclusively to the bank's business in the petroleum and gas, public utilities and transportation industries. The idea is to provide for these fields a specialized service, providing besides loans, financial advice.

City Bank has been following the rise in interest rates. Demand for money has exceeded supply for some time now. There is widespread feeling within the banking fraternity that the cost of borrowed money will go higher before it goes lower.

The Fed, which has sternly opposed inflation (with the support of City Bank), has held out against expansion of the funds the banks have available to lend. There is widespread expectation that the discount rate will be increased again. This is the rate the Federal Reserve System charges on loans to its member banks. The discount rate already has been boosted twice this year and six times since April of 1955. Now at 3%, the discount rate is at a quarter-century peak.

Based on the long series of discount-rate hikes effected since early 1955, it is reasonable to anticipate that another increase would be followed by a jump in the interest rates the banks charge their customers. Rising commercial bank rates might prompt some business people, small and large, to defer, or even cancel, expansion and modernization plans. Retailers and finance companies would come under renewed pressure to hike the cost of instalment loans on consumer durables.

Money rates affect everybody, from the United States Treasury, which must pay more to borrow for the daily needs of Government function, to senior citizens living off pensions and defense bonds, who have seen the real value of their dollars shrink under an "easy money" policy that stoked the fires of inflation.

While it is true that the discount rate is at the highest level since this country emerged from the depression of the early 1930's, people who were around in 1920 and 1921 will recall that the discount rate in those days reached 7%, the all-time peak.

Bankers these days are cutting down on loan requests, or sharing loans with other banks. City Bank has been called on to carry a substantial volume of loan participations, a vital function of a big New York bank.

An Eventful Merger

While the banking community is agog at the pending merger that would take City Bank beyond the confines of New York City, the bank effected, in 1955, one of those classic mergers that strengthened immeasurably its position in the field. On March 30 of last year, City Bank and The First National Bank of the City of New York were merged, leading to a change in name of the surviving entity to First National City Bank. First National, which was established in 1863, gained eminence over the years through its financial services for the development and consolidation of industry.

Guiding spirit of First National was George F. Baker, who ranked with James Stillman of City Bank and J. P. Morgan as a dominant figure in American finance. Mr. Baker, who was an original director, served with First National until his death in 1931.

Under the merger plan, City Bank paid to shareholders of First National $550 for each share of capital stock, a total of $165 million for the 300,000 shares outstanding. No change was made in the capital stock of City Bank, which consists of 10 million shares of $20 par value, or in its surplus, which is $300 million.

Not many months elapsed before the merger benefits were manifest. The enlarged bank was better able to supply the diverse banking services needed by the business community, at home and overseas. Broader facilities, of course, were made available to customers of the former First National. The merger brought to City Bank new people, new contacts and new ideas.

Of overriding importance to the stockholder, of course, was the resultant rise in earnings assets, which were hoisted substantially. The dividend rate was increased a year ago to 65 cents quarterly from 60 cents. This rate of payout is conservative. Assuming a continuance of the high level of earnings, a modest boost in the dividend rate is likely over the near term.

New Earnings Record in Sight

A glance at the long-term operating and earnings record accompanying this article will show that City Bank has managed to set new earnings peaks year after year. Nor will the year now drawing to a close break that amazing skein.

Results achieved by City Bank, or any other bank for that matter, are largely influenced by the general state of the economy. It is true, of course, that imaginative and enterprising management (City Bank is outstanding) will enable some banks to do better than others.

Men such as Howard C. Sheperd, chairman of the Board of City Bank; James S. Rockefeller, president, and Richard S. Perkins, vice-chairman, are under no illusions on that score. They have noted that the increase in over-all business activity, which during much of 1955 was at a rate two to three times the long-term average, must be expected to level out.

They recognize that City Bank and, indeed, the entire banking fraternity have a responsibility to promote stable economic progress. In boom times such as these their responsibility is especially onerous. To add excessively to demand through unwise credit expansion, when an equivalent increase in production can't be achieved, could only have inflationary effects. Hence their emphasis on the use of credit with discrimination and their support of the policy of restraint advocated by the Fed.

The Investment Viewpoint

While the bank has pioneered in many fields, it is, in the best tradition of the business, highly conservative. Its shares will have considerable appeal for the conservative investor, although the yield is little more than an individual could obtain by leaving his money on deposit with a savings bank.

However, the directors, by banking standards, have been rather liberal in the matter of dividends. The rate has been in-

creased six times in the past 12 years, from an annual rate of $1 in 1944 to the current $2.60. With its strong capital position, City Bank could very well pay out to stockholders a higher percentage of its earnings than hitherto.

The growth potential here is not inconsiderable, especially should the Fed approve the consolidation that would take City Bank beyond the city limits. In any event, its aggressiveness and leadership in the development of new types of banking services make it a premier investment for those desiring to include a bank stock in their portfolio. —END

Keys to the 1957 Business Outlook

(*Continued from page* 307)

of rising prices or because of new international crises, business strength could continue well into the second half. It is worth noting that inventory has now been growing for two years—considerably longer than the average inventory cycle of the post-war years.

* * *

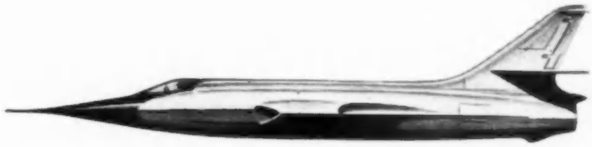
To summarize the business outlook for 1957, as described above, the early part of the year can be expected to witness a continuation of the uptrend of 1956. But by spring, the influences responsible for 1956 business strength will have been largely exhausted, and looming on the horizon are potential weaknesses in consumer-durables markets, in capital goods, and in residential building. The case for caution about mid-1957 is clear enough. Even granting the large number of inflationary influences at work on the American economy of the 1950's, it would be imprudent to ignore the possibilities of serious intermediate recession, in the midst of inflation.

—END

A Timely Appraisal of 100 Leading Stocks — Looking to the Year Ahead

(*Continued from page* 322)

position in stocks which have had the greatest advance. He also must decide whether, in view of the potential vulnerability of the general market, it would be wise



Armco Stainless Steel withstands terrific heat from air friction in today's supersonic planes

The newest military planes soon will be setting speed records of more than 2000 miles an hour. At supersonic speeds like this, air friction causes terrific heat. Temperature of the wings and fuselage may reach 600 F!

Yet planes made of an entirely new kind of stainless steel known as Armco 17-7 PH stay strong and rigid. Leading aircraft manufacturers are including this "wonder steel" in their designs for planes flying faster than 2000 miles an hour.

The same forward-looking research that produced Armco 17-7 PH Stainless Steel has produced many other special-purpose steels for new and better products. This constant search—and the expanding markets for our steels that result from it—has been a major factor in Armco's steady growth.

ARMCO STEEL CORPORATION
MIDDLETOWN, OHIO

SHEFFIELD STEEL DIVISION • ARMCO DRAINAGE & METAL PRODUCTS, INC. • THE ARMCO INTERNATIONAL CORPORATION

139TH DIVIDEND

CIT FINANCIAL CORPORATION

A quarterly dividend of $0.60 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable January 1, 1957, to stockholders of record at the close of business December 10, 1956. The transfer books will not close. Checks will be mailed.

C. JOHN KUHN,
Treasurer

November 21, 1956.

Pullman Incorporated

357th Dividend and 90th Consecutive Year of Quarterly Cash Dividends

A regular quarterly dividend of seventy-five cents (75¢) per share will be paid on December 14, 1956, to stockholders of record November 30, 1956. An extra dividend of one dollar ($1.00) per share will be paid on January 7, 1957, to stockholders of record December 14, 1956.

CHAMP CARRY
President

PULLMAN STANDARD CAR MANUFACTURING CO. · KELLOGG · TRAILMOBILE

INTERNATIONAL MINERALS & CHEMICAL CORPORATION
20 North Wacker Drive, Chicago 6

QUARTERLY DIVIDENDS
4% Cumulative Preferred Stock
59th Consecutive Regular Quarterly Dividend of
One Dollar ($1.00) per Share
$5.00 Par Value Common Stock
Forty Cents (40¢) per Share
Declared—Nov. 15, 1956
Record Date—Dec. 14, 1956
Payment Dates
Preferred Stock: Dec. 30, 1956
Common Stock: Jan. 2, 1957

A. R. Cahill
Vice President, Financial Division

PHOSPHATE • POTASH • PLANT FOODS • CHEMICALS
INDUSTRIAL MINERALS • AMINO PRODUCTS

E. I. DU PONT DE NEMOURS & COMPANY

DU PONT

Wilmington, Del., November 19, 1956

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable January 25, 1957, to stockholders of record at the close of business on January 10, 1957; also $2.00 a share on the Common Stock as the year-end dividend for 1956, payable December 14, 1956, to stockholders of record at the close of business on November 27, 1956.

P. S. DU PONT, 3RD, *Secretary*

to continue to hold those of his investments as were unproductive in the light of their poor performance in a rising market, on the basis that if they could not do well in a rising market they might be likely to do even more poorly in a declining market. He also should decide whether his portfolio position can be materially improved by making substitutions for issues which he believes should be disposed of.

Such decision, of course, must be based on an appraisal of the position and outlook for each stock. In order to assist the reader we have listed 100 active stocks, 50 of which appear in the accompanying table, since we believe them to be most closely representative of the average investor's holdings.

We have briefly indicated our opinion as to which of these issues should be held; on which issues profits may be taken, at least sufficient to mark down original costs, and which should be sold.

AIRCRAFT

Boeing Airplane: Its multi-billion-dollar backlog probably is the largest in the history of any corporation. This backlog includes substantial orders for commercial products, notably jet planes. While yield is scant, alongside others in this field, the possibilities of appreciation here are outstanding. Present holders should not disturb their commitments and it is recommended for purchase on dips.

Douglas Aircraft: Based on its increased backlog, Douglas should do better in the fiscal year which began November 1 than in the 12 months just ended. Order backlog is about $2.2 billion. It is important to note that about half of this is commercial business, unique in the aircraft industry. In filling commercial orders during the year just begun, Douglas will step up deliveries of DC-6's and DC-7's to 15 planes a month from 10. Commitments should not be disturbed and new purchases on dips are in order. Douglas is a candidate for a stock split.

General Dynamics: This stock continues to sell at the highest price x earnings ratio in the aircraft group. Cash yield is modest, but long-time holders have tremendous profits. Stock was split 3-for-2 in November. Long-term growth possibilities are considerable. Valuable experience in building atomic-powered submarines has placed company in forefront in nucleonics field. The stock should be retained on a long-term basis and new commitments made on any reaction.

Lockheed Aircraft: This good-quality aircraft issue sells at a relatively low price x earnings ratio. Cash return to shareholders is fair and could go higher next year. Although net profit this year may trail 1955 showing, Lockheed will continue high in list of military contractors. In addition, commercial business has been growing. Over-all backlog at end of third quarter was above $1.5 billion, highest in three years. About 29% of it is commercial. Stock should be retained. New commitments on reaction are in order.

North American Aviation: Long one of the kingpins in the field of military supply, its stock has speculative interest. The shares were split 2-for-1 this year. Yield is relatively liberal. Selling at a price x earnings ratio on the order of Boeing and Douglas, it lacks the appeal of the other two. May be retained as a speculation.

Republic Aviation: This is one of the more speculative stocks in the grouping, reflected by its relatively high dividend yield. It is almost wholly dependent on defense orders. Earnings have fallen sharply from 1955 level. There are more attractive equities than Republic available in the aircraft industry.

United Aircraft: This leader in the production of aircraft engines is being helped immensely by its jets, now in demand by the military and in commercial output. Its engines have become the workhorse for Navy and Air Force. Eight of them power the mighty Boeing B-52. Growth potential here is considerable. The stock should be held for long-term gains. New purchases on dips are recommended.

AUTOMOBILE

Chrysler: Earnings for the year now drawing to a close will be approximately one-third of the

1955 level. The company is engaged in a struggle to recapture its one-time share of the automotive market, where General Motors and Ford have widened their lead. Any substantial comeback depends on public reaction to restyling of its 1957 models. Prospects are only moderately favorable.

Ford Motor Co.: Its Ford line of cars for 1957 seem to have caught on and there is every prospect that the company will vie with Chevrolet for leadership. Dynamic management is expected to give bigger push to its Mercury line. Late in 1957 Ford will bring out a new medium-price line called the Edsel. Ford has been moving up as a defense producer, especially as a source of Pratt & Whitney engines. The stock should be held. Its purchase on weakness is recommended.

General Motors: This largest of corporations is of investment stature. While it produces somewhat more than half of the cars in this country, it also is a leader in such diverse fields as appliances, defense supplies, diesel locomotives and instalment credit. Commitments by those who bought the stock for long-term investment should not be disturbed.

BUILDING

American Radiator & Standard Sanitary: This high-yielding equity has a major stake in the building industry, where there has been a considerable downturn on the home-starts front. Competition is severe. It possesses little attraction from a speculative standpoint.

Certain-teed Products: Earnings have been pinched by depressed prices for asphalt roofing products. Situation has eased in recent months. Company has distributed shares of Bestwall Gypsum to holders. Earnings trend of company is erratic. At present level, the issue seems to be fairly well deflated.

Crane Co.: This century-old maker of valves and fittings (highly competitive) has obtained considerable diversification in such fields as aircraft, atomic energy and titanium production. Yield is liberal and dividend secure. Stock is lacking in speculative appeal at present levels.

Flintkote: Strong market for products and improved prices in certain lines serve as partial offset to increased costs. Long-standing speculative holdings need not be disturbed in view of company's increasing diversity, which should tend to build stronger earnings base over long term. Issue can be retained for yield. Stock seems fully priced at the present level of 39.

Johns-Manville: This well-integrated Company is a kingpin of the building field. Owing to its dominant position in asbestos and derivatory products, it sells at higher price x earnings ratio than the building group as a whole. Price increases helping to offset rising costs. The stock continues to be a favorite of investment portfolios and should be held for long-term growth. New purchases should be deferred pending clarification of the outlook for home-building.

Masonite: Selling at only seven times earnings and providing a fair cash yield plus 4% stock this year, this stock should continue to be held. Sales and earnings in the latest year were at an all-time high. While Masonite has created diverse demand for its products, its fortunes are linked closely with home-building, now in decline. Management is aggressive and research successful. Dividend record is good. Position of company has been strengthened through intensified forestry program.

National Gypsum: This second largest producer of gypsum building materials has an above-average growth record. Company launched last February a five-year $115 million expansion program. Much of its optimism stems from post-war experience, marked by a decade in which volume rose fourfold and net showed a similar increase. While speculative potential over the near term may be limited by downturn in home-building segment of the business and the fact that industry capacity is outpacing demand, long-term holdings should not be disturbed in view of excellent record and outlook.

Otis Elevator: Record order

Talk MOTIVE
POWER TRANSMISSION
with
CLARK

Call in Clark engineers for discussion of a complete, integrated power train—from flywheel to point of torque application. No better way to make sure of your product's long and distinguished career. Strictly a "quality idea"—it's good business to do business with

CLARK EQUIPMENT

CLARK EQUIPMENT COMPANY
BUCHANAN, MICHIGAN
Other Plants: Battle Creek, Jackson, Benton Harbor

Public Service Electric and Gas Company
NEWARK, N. J.

QUARTERLY DIVIDENDS

The Board of Directors has declared the following dividends for the quarter ending December 31, 1956:

Class of Stock	Dividend Per Share
4.08% Cumulative Preferred	$1.02
4.18% Cumulative Preferred	1.045
4.30% Cumulative Preferred	1.075
$1.40 Dividend Preference	.35
Common	.45

All dividends are payable on or before December 20, 1956 to stockholders of record November 30, 1956.

F. MILTON LUDLOW
Secretary

NJ PUBLIC SERVICE
CROSSROADS OF THE EAST

COSDEN petroleum corporation

DIVIDEND NOTICE

The Board of Directors has declared a regular quarterly dividend of 25¢ per share on the common stock of this Company, payable January 4, 1957, to stockholders of record at the close of business December 17, 1956.

HIGHER COSDEN OCTANE

R. L. TOLLETT,
President

Big Spring, Texas November 19, 1956

PHARMACEUTICAL PRODUCTS FOR THE MEDICAL PROFESSION SINCE 1888

Abbott **Laboratories**

The Board of Directors has declared the following quarterly dividends, payable January 2, 1957, to stockholders of record December 7, 1956:

• 45 cents a share on Common Stock.

• $1.00 a share on Preferred Stock.

110TH **Consecutive Dividend**

Nov. 26, 1956 / North Chicago, Illinois

AMM

AMERICAN MACHINE AND METALS, INC.

52nd Dividend

The **QUARTERLY DIVIDEND** rate was raised from 50¢ to 60¢. A fourth quarter dividend of 60¢ per share and an **EXTRA DIVIDEND** of 50¢ per share will be paid on December 21, 1956 to shareholders of record on December 10, 1956.

Robert G. Burns, *Treasurer*

backlog, increasing orders and diversification are lifting earnings for this first-rank manufacturer of elevators and allied equipment. While Otis is commonly thought of solely as an elevator producer, the company has moved on to materials-handling, electronics and automatic bowling pinsetters. In its traditional field, Otis is the best integrated of the line. Foreign operations, a substantial part of the business, have been growing at a faster rate than domestic sales. Otis also is a substantial defense producer. Company has an uninterrupted dividend record dating back to the turn of the century. Financial position is strong. Otis is eminently suited to conservative portfolios.

Ruberoid: Company has been forced to cope with fierce competition that hindered compensatory price increases needed to offset rises in wage and material costs. The stock is lacking in appeal at this time, wedded as it is to the home-building and home-repair industry. For those interested primarily in yield, the stock may have attraction. Ruberoid has paid some dividend in each year since 1889.

U. S. Gypsum: This kingpin of the gypsum producers turns out about one-half of total United States and Canada output. In addition, the company turns out a wide array of other items for the building industry. In the post-war decade its sales have risen threefold and net profits even better than threefold. One aspect is unchanged: The stock now sells at about 11 times earnings, as it did in 1946. The stock was split 5-for-1 early this year. While speculative potential for the near term may be limited, long-term holdings should not be disturbed. Major problems: Housing has turned down and industry's capacity is growing faster than demand. Important to investors also is the fact that profit margins for gypsum are high and U. S. Gypsum has virtually complete integration from quarry to customer.

CHEMICALS

Air Reduction: Prospect for continued high rate of activity in metals trade affords favorable environment, suggesting that further earnings improvement may be expected. This is a good-grade issue enjoying an improved earnings trend. The price x earnings ratio is far below that of the average for this grouping. The issue has had a very substantial rise in the past two years. Long-standing holdings need not be disturbed in view of the company's increasing benefits deriving from a well-executed expansion program. New commitments may be made on weakness.

Allied Chemical & Dye: Relatively slow growth was recorded by the company until the post-war decade. While its progress still trails other giants of the field, it has staged a considerable upswing in the past few years. Heavy expenditures have been entailed to achieve this goal. Benefits from such investments should be reaped over the near term. Typically for chemicals, yield is low. Finances are strong. The stock should be retained by those seeking long-term capital gains.

American Cyanamid: This stock continues to give a good performance. Shareholders now are getting a better return. It was recommended for purchase in THE MAGAZINE of November 12, 1955, when it was selling at 55. Action of the stock in the interim would seem to have discounted much of the growth spurred by new drugs. Acquision of Formica this year should contribute importantly to long-term growth. While the stock would seem to be fully priced at this juncture, long-term holdings should not be disturbed.

Diamond Alkali: Peak 1956 earnings are in sight for this growth company. Expansion program should reap important benefits over the next few years. Important from an earnings standpoint is the fact that the long-term program involves expansion at existing sites in product areas that already are established. Nevertheless, capital expenditures over the next five years will be about $70 million. This good-grade stock should be retained for long-term goals. New commitments at present level do not seem justified.

Dow Chemical: Relief from heavy amortization charges expected to bring sharp recovery

in earning power in year or two, especially with demand continuing to expand for plastics and magnesium. The cash dividend yield (also pays stock) is insignificant and the stock continues to lead its field in the price x earnings ratio. Growth potential here is very considerable. Present investment holdings should not be disturbed. Candidate for dollar-averaging plan.

du Pont: The company in recent days has raised prices on some synthetics. This should help to ease situation growing out of reduced production of synthetic textiles and narrower margins on some industrial chemicals. Earnings, of course, are inevitably affected by its large stake in General Motors. In the issue of November 12, 1955, THE MAGAZINE stated: "For speculative accounts, enough acceptance of profits might be warranted in order to mark down original costs." At the time the stock sold at 216. Looking to 1957, it is suggested that long-term investment portfolios not be disturbed. The stock, which is a split candidate, should have speculative appeal on sharp reaction.

Hercules Powder: Slightly lower level of earnings and heavy construction program would seem to bar way to better dividend return. The company has attained a large measure of diversification, so that the name of the company is misleading. Hercules manufactures more than 800 industrial chemicals. For long-term holders, the advice is to retain the shares, provided they are not concerned with the possibility of wide fluctuations in price.

Monsanto Chemical: In the year-ago review, THE MAGAZINE stated: "Investors interested mainly in speculative profits might consider drawing down part of the funds to mark down costs." The stock then was at 45—now 35. Now considerably deflated, the stock should have considerable appeal on any further decline. This is one of the better issues among chemicals. Acquisition of Lion Oil, bringing diversity in oil and petrochemicals, should bolster long-term prospects. Should be helped by demand from abroad.

Olin Mathieson: This good-grade chemical and drug firm has plans that call for further expansion in broad industrial field. Major position in aluminum production is goal. As one of the largest entities in the chemical field, growth prospects seem unusually favorable. The price x earnings ratio of 17.5 is moderate and while the yield is lean—though not for a good-grade chemical—purchases on any reaction would seem to be warranted. Present holdings should not be disturbed, with digestion of acquisitions boosting earnings.

Spencer Chemical: This is one of the more rapidly growing entities in the petrochemical field. Emphasis is on polyethylene products. In the latest fiscal year sales and profit hit an all-time peak. The company's program of diversification will provide even greater sales and income opportunities in the future. The dividend yield is high for a chemical and, inversely, the price x earnings ratio remarkably low. The issue should be retained on a long-term basis. Any price recession at this level would give it considerable speculative appeal.

Union Carbide & Carbon: A high premium traditionally is placed on this superior chemical stock as a result of its outstanding growth in plastics, miscellaneous chemicals and in metallurgical processes. The company also is a leading factor in the budding field of nucleonics. Although the issue has receded a long way from its 1956 top, an even more favorable market opportunity should present itself. Any substantial dip from the 111 level would make the stock attractive. Present holdings should be retained.

ELECTRICAL EQUIPMENT

Allis-Chalmers: Aside from its farm-equipment division, all segments of this company's business are making important progress. However, despite substantial gains in sales, the pressure of materials and labor costs has retarded net profit. The company went into the current quarter with unfilled orders (exclusive of commercial orders of the tractor-group divisions) of $220 million, a rise of $77 million from a year earlier. Should benefit from highway building and atomic develop-

THE
ELECTRIC STORAGE BATTERY
COMPANY

The Board of Directors today voted to distribute to the stockholders one additional share of common stock for each four shares outstanding. The Board also declared a regular quarterly cash dividend of 50c a share on the common stock outstanding and on additional whole shares to be distributed. This will be the 225th consecutive quarterly cash dividend paid by the company.

Record date for the stock distribution and the cash dividend is November 19, 1956.

Payment of the cash dividend and distribution of the additional shares will be made December 18, 1956.

E. J. DWYER, Secretary
and Vice President

November 7, 1956

Exide Grant Jessop Ray-O-Vac Atlas Mineral Products Co. Stokes Willard

CANADA DRY

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

Preferred Stock

A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable Jan. 1, 1957 to stockholders of record at the close of business on Dec. 10, 1956.

Common Stock

A quarterly dividend of $0.25 per share on the Common Stock, payable Jan. 1, 1957 to stockholders of record at the close of business on Dec. 10, 1956.

Transfer books will not be closed. Checks will be mailed.

J. W. REILLY
Secretary

LOEW'S INCORPORATED

November 21, 1956.

The Board of Directors has declared a quarterly dividend of 25c per share on the outstanding Common Stock of the Company, payable on December 24, 1956, to stockholders of record at the close of business on December 6, 1956. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

ment. The dividend yield is unusually liberal for a stock of this quality. Bought on any dip from the 32 level, the issue should have speculative appeal.

Cutler-Hammer: This company is a leading producer of electric motor-control devices and related equipment, serving industry, the home and the defense establishment. Long-term outlook is above average. While modest yield is a deterrent to average investor, the company has particular appeal if the goal is long-term growth. Present commitments should not be disturbed.

Fairbanks Morse: This stock has had sharp run-up as a result of heavy buying by Penn-Texas interests, which are seeking control. As recently as a year ago, the stock was selling at less than 13 times earnings, against more than 21 times earnings at this juncture. Gyrations in the stock, stemming from proxy fights and the like, are scarcely inviting to the outsider. Strictly on its merits, Fairbanks Morse is overpriced.

General Electric: This is a premier investment issue. Its characteristically high price x earnings ratio at advanced stages of a bull market are a general reflection of its unsurpassed prestige. The modest yield might be a deterrent for ordinary investment purposes, but the stock's obvious growth potential makes it a desirable holding for portfolios slanted toward long-term capital-gain possibilities. There is little prospect that the $2 dividend will be increased in the immediate future.

McGraw Electric: Acquisition of Thomas A. Edison, Inc. will increase the already considerable diversification achieved by this aggressive producer of electrical and electronic goods. A better dividend return is indicated for 1957, but the stock, at 73, is overpriced.

Minneapolis-Honeywell: This topnotch producer of automatic controls and allied apparatus has registered outstanding growth. For the first nine months of this year, net was at a record high and more than 26% ahead of the like 1955 period. The price x earnings ratio is up 25% from the level of September, 1953, and the dividend yield is negligible. Holders with long-term investment objectives should retain the stock. Selling at 84, it would appear to have discounted, at least for the near term, considerable good news.

Sunbeam Corp.: This company is endowed with an aggressive management that is pressing for an increased part of small-appliance market. The issue has scant appeal for investors seeking a substantial yield. It should continue to be held by those with long-term growth objectives.

Sylvania Electric: Dynamic management in a rather volatile field, with strong links to cyclical television industry. Growth in post-war decade has proceeded without interruption. Acquisition of Argus Cameras is a shrewd move. Sylvania is the world's largest producer of photoflash bulbs and turns out a considerable line of camera accessories. Sylvania also is carving out a niche for itself in the nucleonics field. The stock is reasonably priced and holds considerable appeal for the long term.

Westinghouse Electric: Exceedingly disappointing market action of this leading electrical stock over past two years may be ascribed to labor difficulties and severe competition, which added up to shrinking profit margins. Long-term outlook, nevertheless, is promising, especially in view of its prominent position in nuclear energy and heavy electrical equipment. Present holdings need not be disturbed. The year ahead should witness a sharp pickup in earnings.

PAPER

Container Corp. of America: Stock has just been split 4-for-1. At the same time the dividend has been raised (adjusted for stock split). This is a good-grade issue with a rising earnings trend. Although near-term outlook for rapidly expanding paper industry is somewhat clouded, Container is in sound condition and long-term prospects are highly favorable. Present holdings should not be disturbed. Its speculative appeal would be greatly enhanced by any dip from present level.

Crown Zellerbach: This second largest and fully integrated paper manufacturer achieved further diversification and geographic balance by acquisition of Gaylord Container Corp. A more liberal payout to stockholders should be made in no great time. Long-term holdings should not be disturbed. Speculative appeal would be greatly enhanced by any substantial dip from present level.

Great Northern Paper: Operations continue to reflect higher output by this foremost domestic producer of newsprint. A more liberal payout to shareholders is likely for 1957. While present commitments need not be disturbed, it can not be recommended at the 84 level.

International Paper: Favorable factors behind this largest paper manufacturer include an entrenched trade position, strong finances and favorable earnings prospects. The year-end extra in stock, forecast in the September 29 issue of THE MAGAZINE, has materialized. In the light of easing demand for paper products, however, it is difficult to recommend new purchases at the 108 level. The stock could "break" 100, at which point it would have speculative appeal.

Kimberly-Clark: Recent acquisitions and internal expansion, providing greater diversification, expected to be reflected in earnings uptrend. Above average investment rating accorded stock, which sells at high price x earnings ratio. Stock should be retained for long-term investment purposes, but new commitments should be deferred until it is more fairly priced than the present 42 level.

Rayonier: This diverse company has broadened sales and earnings base over past few years. Disappointing showing this year due to softening of textile demand, although this segment now is somewhat firmer. Its strong position in chemical cellu-

lose, which is basic to the manufacture of rayon and cellophane, enhances growth prospects. Long-term holdings should not be disturbed. Any substantial recession from recent level would give this issue measurable appeal.

St. Regis Paper: This company has vigorous and alert management. Company continues its expansion by increasing facilities and through internal expansion. It has moved up rapidly in the paper field to take the No. 3 spot and could conceivably become runner-up during the next few years. Selling at little more than 12 times earnings and providing a fair yield for a growth issue, it would be an attractive speculation on any substantial recession from the 46 level. Long-term commitments should not be disturbed.

Scott Paper: This leading manufacturer of sanitary and household paper products sold under well-known brand names continues to diversify and expand. Indicated earnings of $2.90 a share for year now ending would compare with $2.65 last year. Broad expansion plans requiring substantial capital outlays have prompted conservative dividend policy. This is a top-grade issue. Scott long has sold at the highest price x earnings ratio of any paper equity. For the capital-gains-minded investor, it lends itself to dollar-averaging.

Union Bag-Camp Paper: Formerly Union Bag & Paper, the new name was adopted upon merger of Camp Manufacturing Co., which provided entry into the rapidly growing bleached kraft paper field. Further expansion is planned. This good-grade issue should be held for appreciation. New commitments on a further reaction from the 35 level are warranted.

West Virginia Pulp & Paper: This top-grade issue has enjoyed a rising earnings trend. Company is carrying out a $100 million capital program which is scheduled for completion in 1960. This is one of the most successful of the paper companies. Long-term holdings should be maintained. New purchases might be deferred pending a slightly more favorable price level. —END

How Companies Expand—Yet Avoid High-Cost Plant Construction

(*Continued from page* 325)

with more than 400 million tons of known reserves, with additional large tonnages expected to be uncovered in adjacent territory.

Working along similar lines, Armco Steel joined with Bethlehem in creating the Reserve Mining Co., jointly owned, for the mining of taconite and the processing of this material into pellets of iron ore to go into the maws of Armco's and Republic's blast furnaces.

Another project is that of the Erie Mining Co., in which Bethlehem Steel has a 45% interest, with the remainder being shared by Youngstown Sheet & Tube, Interlake Iron Corp. and the Steel Company of Canada.

Erie Mining owns or holds under lease a substantial acreage in Minnesota containing large quantities of taconite. It is proceeding with the construction of a full-scale taconite processing plant at a cost of approximately $300 million with the objective of a production of 7.5 million gross tons of taconite pellets annually. These joint ventures by various steel companies have developed substantial ore reserves which increase in importance as the rich natural ores of the Mesabi, Geobic and other ranges begin to run out. Equally important is that these companies, through sizable capital expenditures, are assuring this nation of a domestic ore supply in the event of shipments from other lands being cutting off in time of war.

Cooperative Trend Spreading

The trend toward cooperation of companies in other fields also is becoming more pronounced, giving companies opportunities for diversification without incurring the necessity of capital expenditures that would be far greater than if the participants elected to go it along alone by creating a new subsidiary or new division. Much also is to be said for companies, seeking to diversify, by acquiring, either for cash or by exchange of stock, a company that has the necessary plant and equipment. This has particular application to those companies which traditionally suffer from wide fluctuations in business from one year to the next.

A case in point is that of the majority of the auto-equipment manufacturers which, like the rail-equipment makers, once depended solely upon the railroads for sales. They had to diversify into other industries to keep their corporate entities intact. END

CONTINENTAL CAN COMPANY, Inc.

INITIAL SECOND PREFERRED DIVIDEND

A regular quarterly dividend of one dollar twelve and one-half cents ($1.12½) per share on the Second Preferred stock ($4.50 cumulative) of this company has been declared payable December 31, 1956 to stockholders of record at the close of business December 7, 1956.

LOREN R. DODSON,
Secretary

UNITED FRUIT COMPANY

230th
Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable Jan. 15, 1957, to shareholders of record Dec. 7, 1956.

EMERY N. LEONARD
Secretary and Treasurer
Boston, Mass., November 19, 1956

Johns-Manville
Corporation

DIVIDEND

The Board of Directors declared a quarterly dividend of 50c per share on the Common Stock, and, in addition thereto, a year-end dividend of 25c on the Common Stock, both payable December 14, 1956, to holders of record December 3, 1956.

ROGER HACKNEY, *Treasurer*

Varying 1957 Prospects for the Finance Companies

(*Continued from page* 329)

mercial paper, place long-term loans with institutional investors or issue long-term notes to public investors.

The finance companies have been reluctant to do too much public financing under present market conditions and have resorted to the institutions and banks where they must pay bank rates or commercial paper interest charges, which are at their highest since 1933. These rates have forced the finance companies to pass some of their higher costs on to the retail or wholesale customers.

The personal-loan companies, pressed by the laws of some states that ban interest rates beyond a certain level, are seeking to offset the limit on their return by reducing their costs. Thirty-eight states have small-loan laws with ceilings on interest charges on loans. In Florida, the maximum personal loan allowed is $300; in California, it's $5,000. Interest rates permitted vary from 2½% to 3%.

Standards Are Being Raised

These restrictions are forcing the finance companies to attempt to shave costs by eliminating poor or bad debt risks more frequently. They are reducing the amount they'll extend and raising the standards. Some, for example, now require a borrower to be in his job for over two years. You'll hear less and less advertisements suggesting you can just walk in and sign for the loan.

The personal loans have climbed to $2.8 billion in 1956, up from $2.1 billion a year ago, and by the year end it's expected to hit $3.5 billion. These loans are used to meet expenses ranging from medical bills to taxes, or to wipe out other loans.

Let us proceed to examine the varying prospects of a number of the leading finance companies:

C.I.T. Earnings Prospects

C.I.T. Financial Corp. is expected to earn approximately the same amount in 1956 as it did in 1955. This would indicate profits equal to $4.03 or $4.05 per share, which was the profit of 1955.

In the nine months ended September 30, the company's lending volume fell to $3,596,000,000 compared with $3,969,000,000 in the comparable 1955 period. Loans outstanding as of the same date rose to $1,943,000,000, up from the $1,743,000,000 of a year ago. Arthur O. Dietz, president, has acknowledged that its volume of dealer financing has declined 21% from last year, while its direct lending to retail auto buyers is off 11.8% from a year ago.

Mr. Dietz is optimistic about the 1957 outlook on auto sales, foreseeing a 10% increase from 1956. In 1956, auto sales declined about 19% from the 1955 level. Mr. Dietz contends that a million C.I.T. customers paid off loans on their cars last year and another 920,000 did so in 1956. He regards both groups as being prospects for a new car.

During the year C.I.T. raised $175 million from the nation's financial money marts, with a loan of $100 million from an insurance company and a sale of $75 million worth of debentures. The debenture issue, carrying a 4⅜% yield had a 10-year non-callable provision plus split delivery dates on October 2 and November 1. Split delivery means the investor can pay for the securities in two instalments. This issue was quickly oversubscribed, giving some indications of investor confidence in the future of the company's business.

The yield to investors in the stock of C.I.T. is liberal.

American Investment Cites Costs

American Investment Co. of Illinois reported earnings for the nine months ended September 30 of $4,656,502, equal to 95 cents per share, compared with $4,693,422, or 97 cents per share, last year. Donald L. Barnes, president, said the higher cost of borrowing money this year accounted for the slight decline in earnings. The company's interest expense climbed $900,000 over 1955 for the first nine months. However, outstanding notes receivable September 30 were nearly $189 million above a year earlier.

American has been hampered, as other loan companies have, by its inability to charge higher rates for most of the money it lends, since in most states they've been at the maximum legal rates permitted for some time. The company has increased its rates on dealer discount paper but this represents no more than 10% of total volume.

The company has been adding new branch offices at a fast pace, with 44 to be opened in 1956, bringing the total to 430 by the year end.

At the present level the dividend yield is generous.

Associates Investment Gains

Associates Investment Co. earnings for the nine months ended September 30 shows earnings equal to $4.42 per share, compared with $4.20 per share in the comparable 1955 period. The company's greatest strength has been in the field of financing auto sales and in a year in which auto volume declined Associates still showed a substantial gain in this market, particularly in the first half of the year.

During the year, Associates dipped into the money market several times. It placed $25 million of notes privately in January through Salamon Bros. & Hutzler. In the following May it again returned to the money market by placing a $10 million subordinated note, also placed privately. Then in August the company sold a $30 million issue of debentures.

Virtually all this money, according to Robert L. Oare, board chairman, was used to reduce outstanding short-term notes due within the year and to bulwark working capital.

Mr. Oare also made it plain early in August that the company planned to pass on a portion of the higher cost of borrowing money to the ultimate consumer as soon as possible.

The payout to stockholders is highly conservative, prompted by corporate needs. However, some betterment should not be distant.

Beneficial Finance Expands

Beneficial Finance Co. earnings for the nine months ended September 30, 1956, are ahead of 1955. They equaled $1.45 per share, compared with $1.29 per share in the comparable 1955 period. During the year denials were issued of reports that Beneficial

(*Please turn to page* 362)

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On April 6, 1956 when the market reached its highest point this year, Boeing closed at 81⅜—while General Dynamics closed at 61⅛. Despite the sharp decline that has taken place since then, Boeing has appreciated 34 points—while General Dynamics has gained 20 points.

Boeing Airplane was recommended to subscribers at 46—prior to the 2-for-1 stock split in 1954 which marked our cost down to 23. On August 6, 1956, Boeing was split again, 2-for-1, reducing our cost to 11½ for the new shares which are selling at 57¾—representing 402% enhancement. Cash dividends of $1.50 seem assured for a 13% yield on our original buying price.

Also, we recommended General Dynamics in April, 1954, at 43. It was then split 2-for-1, marking our cost down to 21½. It has recently again been split 3-for-2 further reducing the cost to less than 14⅜. General Dynamics has now reached 54¼—to show 285% gain from our original recommended price. The current dividend yields 10.2% on our cost.

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Varying 1957 Prospects for the Finance Companies

(*Continued from page* 360)

and C.I.T. Financial Co. would be merged.

But in September the company purchased the Newark Provident Loan Association, with assets of approximately $700,000. This move boosted Beneficial's offices to well over 1,000 in 47 states and 10 provinces of Canada.

During the year Beneficial also placed $45 million of its long-term promising notes privately through Eastman Dillon & Co.

Yield is attractive and the shares have long-term promise.

CCC Keeps Abreast of 1955

Commercial Credit Co., reported a slight increase in earnings for the nine months ended September 30 to $3.95 per share, compared with $3.90 per share a year ago. This was accomplished despite the fact that for the nine-month period the company reported declines in virtually all major fields of its financing activities.

It had declines in its wholesale and retail financing of autos, resulting from a slacking in car output. Its non-auto retail loans and direct loans also were off, caused by the reduced financing of appliance and television sets. Moreover, its insurance companies' net income in the same period was off, caused primarily by increased losses on auto insurance from higher accident frequency and loss payments on collision damage.

During the year CCC raised $150 million in the money markets during 1956 by issuing long-term notes. It also made acquisitions during the year. The Ayares Finance Corp., with 19 personal loan offices in the Baltimore area, became a division of Commercial. Last month it acquired the receivables of Tractor Finance, Inc., totaling $65 million. The new operation will put the company in the field of financing tractors and farm equipment.

The company earned $5.22 per share in 1955 and the present indications are that the 1956 results should be in the same area. The company now is paying a liberal dividend.

General Acceptance At Peak

General Acceptance Corp. set new records in the first nine months of the current fiscal year and there is every indication the company will continue the trend for the full year. For the period, nine months ending September 30, the company's earnings amounted to $1,448,539, equal to $1.07 per common share. This compared with profit of $1,177,356, or 94 cents per share on a slightly smaller number of shares outstanding on September 30, 1955 – a gain of 26%.

In the first nine-month period the volume was up by 28% to $139,422,265, a substantial gain when the general industry trend is considered. F. R. Willis, GA president, expects the fourth-quarter operations will bring earnings for the year above the record net income reported in 1955. Since the 1955 net income was $1.32 per share, indications are that the 1956 earnings should approach $1.65 per share. GA pays a liberal dividend of $1 a year. The jump in earnings might normally lead investors to anticipate a dividend jump, but the tight-money situation may prompt the directors to conserve every bit of cash so vitally needed in the business at this time.

Household: Cash Plus Stock

Household Finance Corp. declared a 5% stock dividend this year and the same $1.20 in cash paid out last year. This policy of paying a stock dividend is growing more popular during this tight-money siege and may grow more frequent among the finance companies. Household has, in recent years, retained approximately 50% of net earnings because of its need for additional working capital to finance the growth of its business. The company believes these retained earnings should be capitalized on an annual basis rather than on an irregular basis, so the company is expected to pay a regular 5% stock dividend in the future.

Household's earnings for the first nine months hit $2.20 per share, compared with $1.75 per share a year ago, so it is likely that when the final-quarter earnings are in, the profit for the year may reach the $2.60 per share level.

During the year Household went into the money markets for $50 million to strengthen its financial position.

At the 25 level, the stock is attractive for income and appreciation.

General Finance Copes With Costs

General Finance earnings dropped 13% in the third quarter, knocking the nine-month earnings down to $1.45 per share, compared with $1.60 per share in the comparable 1955 period.

Byron S. Coon, president, has stated the initial cost of opening new offices has been the prime factor in trimming profits. General now has 37 auto loan agencies and 116 small loan offices, an increase of 23 this year.

During the year the company sold $7.5 million in notes.

This growing company offers a moderate yield.

Seaboard Raises Dividend

Seaboard Finance Co. split its stock 2-for-1 earlier in the year and raised the dividend. These actions showed the gains the company made in 1955 and the improvements continued during 1956. Third-quarter earnings showed a substantial jump of 35 cents per share which Paul Appelby, president, says reflects the strong demand for credit coupled with the company's policy of expanding into new territories.

Seaboard, now claiming to be the third largest personal-loan company in the nation, has jumped the number of its offices to 364 this year from 273 a year ago. Only recently it acquired the American National Finance Co., with $6 million in receivables and 21 loan offices. For the nine months of the September 30 fiscal year the company's earnings hit $1.04 per share and an estimate for the full year indicates the profits should be reported in the neighborhood of $1.50 per share.

During the year Seaboard sold over $21 million of its notes to eliminate short-term notes and strengthen its working capital position.

The shares provide a good dividend yield.

Pacific Finance Program

Pacific Finance Co. earnings for the nine months showed a decline to $3.05 per share from the $3.32 per share of a year ago. However, the decline primarily reflected an increase of 1,200 shares of common stock outstanding and an increase on the preferred dividend to $277,000 from the $72,000 paid a year ago.

Another factor that has been holding down the company's earnings, apart from the increase cost of money, is the development of an insurance program. Insurance losses ran higher than expected for the first nine months, affecting the company's profits slightly, according to Maxwell King, president.

Pacific also expanded by the acquisition of the Palomar Finance & Loan Co. during the year. It also raised $25 million in the money markets during the year.

Dividend yield is liberal. —END

3 Prime Companies in 5 Strategic Industries With Favorable 1957 Prospects

(*Continued from page* 310)

STEELS — As the steel industry approaches 1957 there is every indication that peak production in the final quarter of 1956 will carry well into the new year.

Armco Steel Corp., is a fully integrated producer, with nine excellent plant sites and broad diversification in end products. Within the 10 years to the end of 1955 capital expenditure of approximately $310 million, mostly from retained earnings and internally generated funds, has further strengthened its position in the industry. With the completion of the current capital program sometime next year, Armco's ingot capacity will be increased by more than 20% to 6.2 million tons. This is a good-quality steel stock worth holding.

Inland Steel Co., with plants strategically situated in the great steel-consuming Chicago area, has for many years held a strong position as a steel producer. This is reflected in its exceptionally good record of earnings and dividend payments.

Looking ahead to continued growth, Inland, which increased ingot capacity from 3.4 million tons in 1949 to 5 million tons at the end of 1955, has inaugurated another phase of its expansion program, at an estimated cost of $260 million.

Inland is a good-quality equity, provides a high yield at current market price and is worth holding as a long-term investment.

United States Steel Corp. in the postwar decade increased its ingot and casting productive capacity from about 29 million to 39 million tons annually. This latter figure represents about 30.6% of the capacity reported for the entire industry.

Anticipating a continued growth in demand for steel, the company already has outlined an expansion plan to increase ingot producing capacity by 2.5 million tons over the next three years at a cost of some $500 million a year. Most of the cost could be met, on present basis, from Steel's substantial cash flow.

TIRES AND RUBBER — Although leading rubber stocks, demonstrating the underlying strength of the industry, have recorded substantial price gains over the last five or six years, many of the issues in this group continue attractive as long-range holdings.

Firestone Tire & Rubber Co., on the basis of dollar volume, ranks second in the tire and rubber industry. In the nine months to July 31, net sales increased to $813.7 million from $804.5 million for the same period a year ago. Net income, estimated at $42.9 million for the nine months, equaled $5.27 a share, compared with $4.62 for the comparable months of the previous year.

Dividends in April of this year were increased to 65 cents quarterly which, supplemented by a year-end extra of 15 cents, brought total distribution up to $2.60 a share.

B. F. Goodrich Co., fourth in the industry from the standpoint of sales, is highly diversified. Output, in addition to tires and casings includes aircraft equipment, sponge products, footwear and flooring materials, and a broad line of industrial products. Goodrich's net sales for the first nine months of this year totaled $538.6 million. This represented a dip of 4.1% from the $561.9 million in the comparable 1955 period, bringing estimated net income for the first nine months of 1956 to $30.6 million, or $3.44 a common share, compared with $32.3 million, or $3.66 a share, a year ago. Final 1956 quarter results should put net income for the full year at $5.25 a share, or about equal to last year's $5.25 a share.

Goodyear Tire & Rubber Co., first in the industry on the basis

YALE & TOWNE
Declares 275th Dividend
37½¢ a Share

On Nov. 29, 1956, dividend No. 275 of thirty-seven and one-half cents per share was declared by the Board of Directors out of past earnings, payable on Jan. 2, 1957, to stockholders of record at the close of business Dec. 12, 1956.

F. DUNNING
Executive Vice-President and Secretary

THE YALE & TOWNE MFG. CO.
Cash dividends paid in every year since 1899

THE West Penn Electric Company
(Incorporated)

Quarterly Dividend on the COMMON STOCK
37½¢ PER SHARE

Payable December 28, 1956
Record Date Dec. 10, 1956
Declared November 30, 1956

WEST PENN ELECTRIC SYSTEM
Monongahela Power Company
The Potomac Edison Company
West Penn Power Company

of dollar volume, also is highly diversified. While about 60% of volume represents tire sales, other important contributors are sales of industrial rubber goods, foam rubber, footwear, plastic films, chemicals and aircraft products. In the first nine months of this year consolidated net sales again went over the billion dollar mark, reaching $1,010 million. Although this was about $15 million under the comparable 1955 period, Goodyear's net earnings for the nine months to last September 30 set a new high at $45.3 million, equal to $4.46 a common share, up from $43.6 million, or $4.30 a share a year ago.

Goodyear's financial position at the half-way mark of 1956 revealed net current assets of $455.1 million. The company currently is carrying out a $114 million expansion program both here and abroad.

ELECTRIC UTILITIES – Although equities of the private electric utilities have not been exactly dormant marketwise in recent months, the majority in this group, including many of the soundest issues, have moved within a narrow range with some of them resting not far above the year's lows.

Philadelphia Electric Co. supplies electricity to metropolitan Philadelphia and a wide adjacent area, including the highly industrialized Delaware Valley. It also supplies gas to a number of suburban areas and urban communities outside of Philadelphia. Reflecting the growth of its territory has been more than a decade of steady upswing in operating revenues and a corresponding increase in net income, both establishing new highs in the 12 months ended last July 31. Total operating revenues for the period of $220.5 million went ahead of the like period of the preceding year by $17.2 million and net income of $34.7 million exceeded that of the previous year by $2.9 million, to show $2.53 available as earnings on the common stock, compared with $2.29 a share a year ago.

Preparing for further growth of its territory, the company is spending at the rate of $1.5 million a week for new facilities in connection with its five-year program that will, it is estimated, cost around $370 million. This is on top of the $521 million expended in the post-war years to the end of 1955. Currently, the expansion progam is being financed by short-term notes and from retained earnings and other internally-generated funds. The common stock, paying dividends of 45 cents quarterly, has received payments every year since 1902.

Texas Utilities Co., an integrated holding company, serves through its operating subsidiaries an area in northeastern Texas embracing a population of 2.5 million and such cities as Dallas, Forth Worth, Waco and Wichita Falls. Within the territory are a number of diversified industries, some of which are in aircraft manufacturing, oil-refining, cotton mills and milling, as well as the several branches of agriculture. Its history over the past decade has been one one of outstanding growth, revenues between 1946 and last year rising by more than 200%, or from $42 million to $127 million.

It is evident that another new high will be established in 1956, operating revenues for the 12 months to last September 30 reaching $142 million, up from $123.5 million for the corresponding months of the preceding year, indicating 1956 income for Texas Utilities common stock of approximately $2.25 a share, compared with 1955's $2.06 a share. Dividends recently were increased from 32 cents to 36 cents a share. This is an attractive issue as a long-range investment.

Virginia Electric & Power Co. supplies electricity over a 32,000-square-mile territory, including practically all of Virginia and portions of West Virginia and North Carolina, embracing a population of more than 2.5 million. Natural gas also is supplied to 77,000 customers in Norfolk and Newport News. Included in the territory are the cities of Richmond, Alexandria, Petersburg, Portsmouth and Charlottesville with their diversified industries, while outlying areas embrace extensive rural sections. The company's record is one of consistent growth, operating revenues increasing in each year from $40.2 million in 1946 to $106.1 million in 1955. This latter total compares with 1954's $96 million. Indications are that operating revenues for 1956 will show an even greater increase, based on the first 10 months' showing.

For that period, Virginia's operating revenues increased to $97.4 million from $87.4 million in the comparable 1955 first 10 months. Over the decade from 1946 to the end of last year, net income also rose from $6.4 million, or $1.71 a share of common, to $19 million, equal to $2.54 a share in 1955. For the current calendar year Virginia is expected to show close to $2.70 a share for its common stock. Payments on the stock were increased early this year from 40 cents to 45 cents quarterly. The issue, attractive for its comparatively good yield, is a sound commitment as a long-range investment END

For Profit and Income

(*Continued from page* 333)

pressed prices. At present levels, the Cuban sugar issues appear amply priced and risky; and it is questionable whether there is much worth going for in stocks of Puerto Rican producers, domestic producers or domestic refiners.

Retailing

Depressed retail stocks could still rally late this year after tax-selling abates. If so, positions should be scaled down. If not, the question will be: To what can you tie longer-range hopes? To rising consumer income? It is at a record level now, and has been rising for some time. But profits in most cases are far under record past levels and appear unlikely to get back to them, due to keen competition, increased costs and justified concern about the future of operating margins. END

Keeping abreast of Corporate Developments

(*Continued from page* 340)

to finance future advertising promotion and marketing of bonded bulk whiskey. In the previous two fiscal years the company had set aside $1,430,000 and $1,391,000, respectively. In 1956 the company set aside $416,000. The company is expected to institute price boosts on whiskey products that would aid the earnings outlook in the year already underway.

Objective: RETIREMENT

An Important Message to Investors with $20,000 or More

Most investors are aiming for eventual retirement . . . whether they hope to arrive at their goal in five, ten or twenty years.

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Expert Analysis of Your Present Holdings:

Our first step in serving you is to make a detailed report—analyzing your entire list—taking into consideration income, safety, diversification, enhancement probabilities—today's factors and tomorrow's outlook.

Issues to Hold and Advantageous Revisions:

Definite counsel is given on each issue in your account . . . advising retention of those most attractive for income and growth . . . preventing sale of those now thoroughly liquidated and likely to improve. We will point out unfavorable or overpriced securities and make substitute recommendations in companies with unsually promising 1957 prospects and longer term profit potentials.

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You can consult us on any special investment problem you may face. Our contacts and original research sometimes offer you aid not obtainable elsewhere—to help you to save—to make money.

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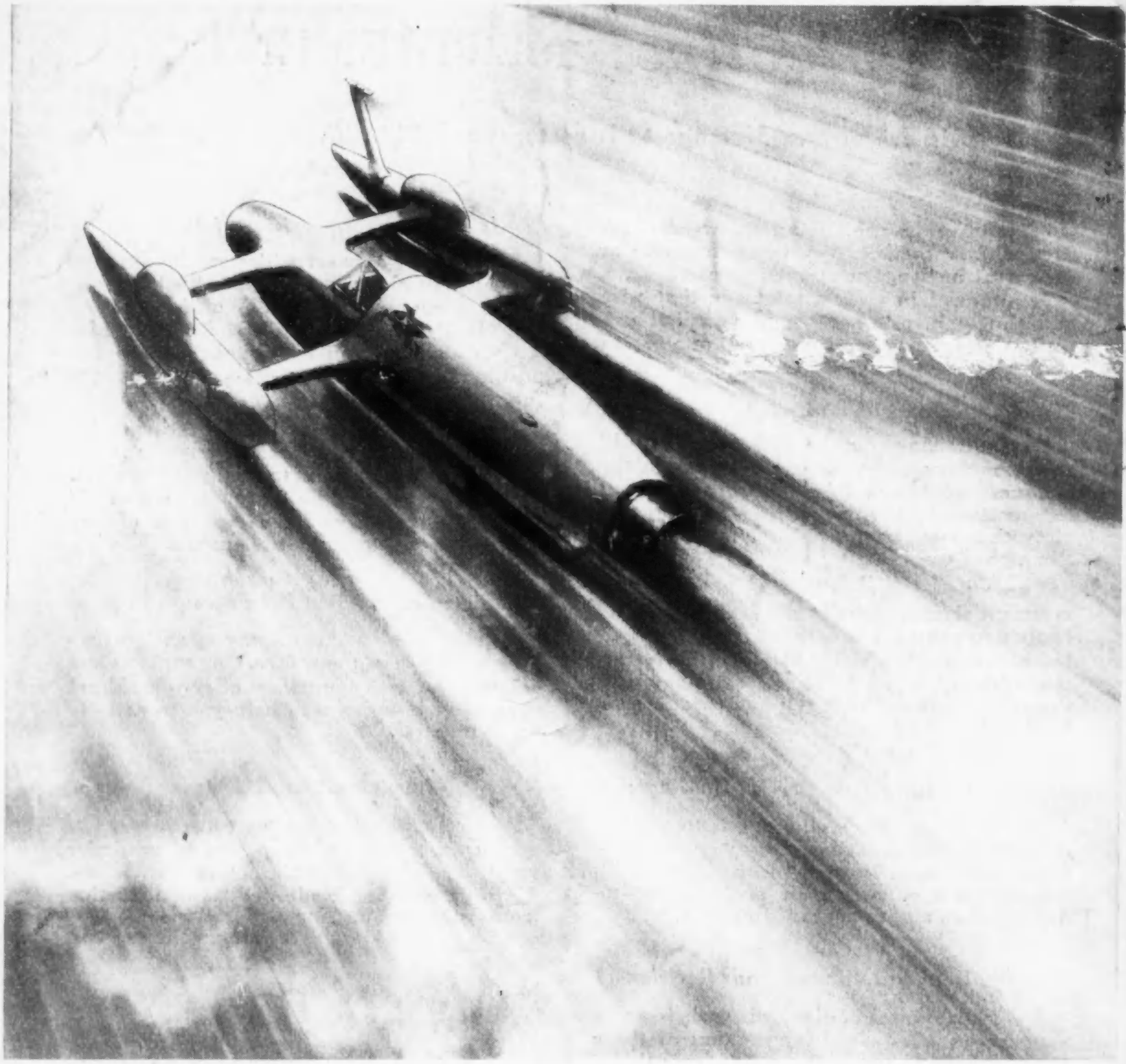

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